RA-Cert Division Headquarters
65 Millet St. Suite 201
Richmond, VT 05477 USA
Tel: +1 802-434-5491
Fax: +1 802-434-3116
www.rainforest-alliance.org

Audit
Managed by:
United States Regional Office

801 Highway 3 North, Suite 200
Northfield, MN 55057 USA
Tel: (507)-663-1115
Fax: (507)-663-7771
Contact Person: Lawson Henderson
Email: lhenderson@ra.org

Validation Assessment
Report for:

Camco International Group, Inc's Afognak Island Carbon Project in Afognak, Alaska,USA

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Lead Auditor:	Janice O'Brien
Audit Team Member(s):	John Cathro, Ian Starr
Senior Internal Reviewer	Jeffrey Hayward
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Project Proponent Contact:	Charles Purshouse
Project Proponent Address:	390 Interlocken Crescent, Suite 490 Broomfield, Colorado, 80021

CAMCO INTERNATIONAL GROUP, INC'S AFOGNAK ISLAND CARBON PROJECT VALIDATION REPORT 12

Document Prepared By Rainforest Alliance

Project Title	*Afognak Island Carbon Project*
Version	*Afognak - VCS Project Design Document - 2012 v2.6*
Report ID	*Camco International Group VCS VAL 12*

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Prepared By	Rainforest Alliance
Contact	Lawson Henderson, Carbon Associate Rainforest Alliance 65 Millet Street Suite 201 Richmond, Vermont USA 05477 lhenderson@ra.org
Approved By	*Jeffrey Hayward*
Work Carried Out By	*Janice O'Brien, John Cathro, Ian Starr*

Summary:

Camco International Group Inc.'s Afognak Island Project in Afognak, Alaska USA is an Agriculture, Forestry and Other Land Use (AFOLU) Logged to Protected Forest (LtPF) project. The project covers an area of 3326.5 hecatres and is publically owned. The project has a lifetime of 30 years, and is expected to sequester 1.56 million tCO_2e over the course of the project from 2006-2036.

The purpose of this report is to document the conformance of The Afognak Island Carbon Project in Afognak, Alaska with the requirements of the Verified Carbon Standard (VCS). The project was developed by Rocky Mountain Elk Foundation (RMEF)/American Land Conservancy (ALC) who designated Camco International Group Inc to be the project proponent representative, and who will be hereafter referred to as "Project Proponent". The report presents the findings of qualified Rainforest Alliance auditors who have evaluated the Project Proponent's systems and performance against the applicable standard(s).

The project consists of five adjacent/proximal parcels of land on the North coast (Perenosa Bay/Delphin Bay area) of Afognak Island, Alaska. In a series of transactions outlined, over the period of 2005-2009, the American Land Conservancy (ALC) and the Rocky Mountain Elk Foundation (RMEF) acquired the Afognak Island Carbon Project properties and related timber rights from the

privately owned Alaskan Native Corporations (Afognak Joint Venture, Shuyak, Inc., and Uganik Natives, Inc.), with the objective protecting the forest and conserving the land in perpetuity. As part of these transactions, ALC/RMEF specifically retained the carbon legal title rights and right of use for the purpose of a carbon emissions reduction project; attached a permanent federal conservation easement to ensure perpetual conservation management; and transferred the remaining surface title rights to the State of Alaska.

The Afognak Forest Carbon Project achieves net GHG emission reductions and removals through the avoidance of emissions due to logging in the baseline scenario. The Afognak properties were being managed for timber production by the previous managers, with existing or pending logging plans in place across these and adjacent properties owned by the previous owners. The most plausible baseline scenario is timber-harvesting using clear-cutting following minimum State of Alaska forest practice requirements and common practices evident in previous logging on the project lands and adjacent lands across Afognak Island.

The project scenario is conservation management, wherein the State of Alaska manages and monitors the properties for the purpose of wilderness and ecosystem protection and enhancement activities under the terms of the title transfer agreement and federal conservation easement. The project scenario retains the current native and naturally regenerating logged forests in perpetuity to retain and sequester carbon on the property. The project area is approximately 3,326.5 hectares of mature Sitka Spruce forests on Afognak Island, Alaska.

The validation and verification audits to assess conformance against the standards outlined in the report introduction section 1.2, took place in two phases,. In October 2011, the audit team conducted an on-site field audit at Afognak Island. The scope of the field audit work in October 2011 was to validate and verify field inventory work conducted by the project proponent to date.

During the October field visit the audit team was able to observe that inventory field work was conducted in accordance to Standard Operating Procedures and that the plots installed were done with a high level of expertise, by a knowledgeable and well trained crew. The audit team re-sampled 4 inventory plots and visited 8 additional plots across the Project Area in all but one planning unit. A comparison of the data collected by the auditors to the original forest inventory data revealed accuracy in the data. The audit team conducted an extensive walk through of the project area allowing them to make a preliminary observation that the forest in the project area is homogeneous, even aged Sitka Spruce pure forest. This observation was also supported by a fly-over of the area. Evidence of natural disturbance from blow down was observed primarily adjacent to previously logged areas. As a result of seeing so much of the project area by foot, the audit team assessed that that initial assumption for stratification (forested and non-forested areas) was reasonable for baseline projections, that forest inventory field work was conducted to high quality management standards, and that data obtained was of good quality.

In January 2012, the proponent submitted a Project Document (PD) and a pre-validation of the project took place, with findings that sufficiently demonstrated the project proponent is ready for the completion of the validation/verification process. The validation and verification was conducted with a second audit visit (Office visit) with Project Proponent Staff in Washington, DC March 6-8, 2012.

Onsite in DC, the audit team did an extensive review of the Project Document and all supporting documentation required to assess the conformance of the project to the methodology and all of the VCS Standard V3 requirements.

On April 2, 2012 a draft version of the validation/verification report was submitted by the Project Proponent for review. A follow-up call was held to discuss the non-conformances identified. April 25, 2012 the Project Proponent submitted an updated PD and additional supporting evidence to address the non-conformances identified. The second review of the evidence provided to the auditors was carried out and all but three of the non-conformance requests were determined to have been sufficiently addressed. The few remaining conformances issues were then discussed between the

auditors and the Project Proponent. The Project Proponent submitted an updated copy of the PD and additional evidence to address the few remaining non conformances on May 16, 2012 which were reviewed by the auditors. After some follow-up communications to address a few remaining questions and an error identified by the auditors in the updated PD, a final version of the PD was submitted on May 18, 2012. Based on auditor review of the finalized PD (Version 2.6) it was determined that the project is in conformance with the VCS version 3, and is approved for validation/verification with the VCS.

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1 Introduction

Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. All related personnel responsible for audit design, evaluation, and certification/verification/validation decisions are under the purview of the RA-Cert Division, hereafter referred to as Rainforest Alliance or RA. Rainforest Alliance is an ANSI ISO 14065:2007 accredited validation and verification body; additionally, Rainforest Alliance is a member of the Climate, Community, and Biodiversity Alliance (CCBA) standards, and an approved verification body with a number of other forest carbon project standards. For a complete list of the services provided by the Rainforest Alliance, see http://www.rainforest-alliance.org/climate.cfm?id=international_standards.

Dispute resolution: If Rainforest Alliance clients encounter organizations or individuals having concerns or comments about Rainforest Alliance and our services, these parties are strongly encouraged to contact the local Rainforest Alliance regional office or the RA-Cert Division headquarters directly. Formal complaints or concerns should be sent in writing.

1.1 Objective

The purpose of this report is to document the conformance of Camco International Group, Inc's Afognak Island Carbon Project with the requirements of the Verified Carbon Standard (VCS). The project was developed by the project representative Camco International Group, Inc., hereafter referred to as "Project Proponent". The report presents the findings of qualified Rainforest Alliance auditors who have evaluated the Project Proponent's systems and performance against the applicable standard(s).

1.2 Scope and Criteria

Validation Scope: The scope of the audit is to assess the conformance of Camco International Group Inc.'s Improved Forest Management project in Afognak, Alaska USA against the Verified Carbon Standard. The objectives of this audit included an assessment of the project's conformance with the standard criteria. In addition, the audit assessed the project with respect to the baseline scenarios presented in the project design document. The project covers an area of 3326.5 hectares. The land is publically owned. The project has a lifetime of 30 years, and estimates it will remove and/or reduce 1.56 million tCO_2e over the course of the project lifetime.

Standard criteria: Criteria from the following documents were used to assess this project:

- Verified Carbon Standard Program Guide Version 3;
- Verified Carbon Standard Version 3;
- Verified Carbon Standard Agriculture, Forestry and Other Land Use (AFOLU) Requirements Version 3;
- Verified Carbon Standard AFOLU Non-Permanence Risk Tool Version 3;
- Verified Carbon Standard Program Updates (please see VCS website for the latest updates); and as applicable,
- The VCS approved methodology/modules used by the project.

Materiality: All GHG sinks, sources and/or reservoirs (SSRs) and GHG emissions equal to or greater than 5% of the total GHG assertion unless otherwise defined by the standard criteria.

1.3 Level of assurance

The assessment was conducted to provide a reasonable level of assurance of conformance against the defined audit criteria and materiality thresholds within the audit scope. Based on the audit findings, a positive evaluation statement reasonably assures that the project GHG assertion is materially correct and is a fair representation of the GHG data and information.

1.4 Project Description

Camco International Group Inc.'s project in Afognak, Alaska USA is an Agriculture, Forestry and Other Land Use (AFOLU) Logged to Protected Forest (LtPF) project. The project was developed by Rocky Mountain Elk Foundation (RMEF)/American Land Conservancy (ALC), and the Project Proponent "representative" Camco Global, hereafter referred to as "Project Proponent".

The project consists of five adjacent/proximal parcels of land on the North coast (Perenosa Bay/Delphin Bay area) of Afognak Island, Alaska. In a series of transactions outlined, over the period of 2005-2009, the American Land Conservancy (ALC) and the Rocky Mountain Elk Foundation (RMEF) acquired the Afognak Carbon project properties and related timber rights from the privately owned Alaskan Native Corporations (Afognak Joint Venture, Shuyak, Inc., and Uganik Natives, Inc.), with the objective

of protecting the forest and conserving the land in perpetuity. As part of these transactions, ALC/RMEF specifically retained the carbon legal title rights and right of use for the purpose of a carbon emissions reduction project; attached a permanent federal conservation easement to ensure perpetual conservation management; and transferred the remaining surface title rights to the State of Alaska.

The Afognak Forest Carbon Project achieves net GHG emission reductions and removals through the avoidance of emissions due to logging in the baseline scenario. The Afognak properties were being managed for timber production by the previous managers, with existing or pending logging plans in place across these and adjacent properties owned by the previous owners. The most plausible baseline scenario is timber-harvesting using clear-cutting following minimum State of Alaska forest practice requirements and common practices evident in previous logging on the project lands and adjacent lands across Afognak Island.

The project scenario is conservation management, wherein the State of Alaska manages and monitors the properties for the purpose of wilderness and ecosystem protection and enhancement activities under the terms of the title transfer agreement and federal conservation easement. The project scenario retains the current native and naturally regenerating logged forests in perpetuity to retain and sequester carbon on the property. The project area is approximately 3,326 hectares of mature Sitka Spruce forests on Afognak Island, Alaska.

2 Audit Overview

Based on Project's conformance with audit criteria, the auditor makes the following recommendation:		
Final Report Conclusions		
☒	Validation approved: *No NCRs issued*	
☐	Validation not approved: *Conformance with NCR(s) required*	
Draft Final Report Conclusions		
☒	Validation approved: *No NCRs issued*	The Project Proponent has 7 days from the date of this report to submit any comments related to the factual accuracy of the report or the correctness of decisions reached. The auditors will not review any new material submitted at this time.
☐	Validation not approved: *Conformance with NCR(s) required*	
Draft Report Conclusions		
☐	Validation approved: *No NCRs issued*	The Project Proponent has 30 days from the date of this report to revise documentation and provide any additional evidence necessary to close the open non-conformances (NCRs). If new material is submitted the auditor will review the material and add updated findings to this report and close NCRs appropriately. If no new material is received before the 30 day deadline, or the new material was insufficient to close all open NCRs the report will be finalised with the NCRs open, and validation and/or verification will not be achieved. If all NCRs are successfully addressed, the report will be finalised and proceed towards issuance of a assessment statement.
☒	Validation not approved: *Conformance with NCR(s) required*	

2.1 Audit Conclusions

It was determined upon finalization of this audit report that the Afognak Island Carbon Project was in conformance with the Verified Carbon Standard Version 3, and the Project could be approved for validation with the VCS.

At the time the first draft validation report was produced the auditors identified a total of 20 non-conformances against the applicable verification criteria. The Project Proponent then submitted updated project documents and additional supporting evidence to address the non-conformances which were reviewed by the auditors and some additional stakeholder calls were made. Based on all of the additional evidence reviewed and discussed, there were still a few issues with 3 of the non-conformances that the auditors determined were not yet adequately addressed. These concerns were clarified in discussion with the Project Proponent, and additional evidence and an updated PD was provided. Through some follow-up questions for additional clarification, the conformance issues were all addressed and the auditors completed the draft final version of this report.

Rainforest Alliance Report Criterion	Draft Report Project Conformance	Final Report Project Conformance
1 Project Design	☐ Yes ☒ No	☒ Yes ☐ No
2 Application of Methodology	☐ Yes ☒ No	☒ Yes ☐ No
3 Additionality and baseline selection	☐ Yes ☒ No	☒ Yes ☐ No
4 Quantification of GHG emissions	☐ Yes ☒ No	☒ Yes ☐ No
5 Leakage	☐ Yes ☒ No	☒ Yes ☐ No
6 Net emission reductions and removals	☐ Yes ☒ No	☒ Yes ☐ No
7 Monitoring plan	☐ Yes ☒ No	☒ Yes ☐ No
8 Environmental Impact	☐ Yes ☒ No	☒ Yes ☐ No
9 Comments by stakeholders	☒ Yes ☐ No	☒ Yes ☐ No

10 Non-permanence Risk Assessment	☐ Yes ☒ No	☒ Yes ☐ No

2.2 Nonconformance evaluation

Note: A non-conformance is defined in this report as a deficiency, discrepancy or misrepresentation that in all probability materially affects carbon credit claims. Each NCR is brief and refers to a more detailed finding in the appendices.

NCRs identified in the Draft Report must be closed through submission of additional evidence by the Project Proponents before Rainforest Alliance can submit an unqualified statement of conformance to the GHG program. Findings from additional evidence reviewed after the issuance of the draft report are presented in the NCR tables below.

NCR#:	**01/12**
Standard & Requirement:	VCS Standard v3 Section 3.19.1
Report Section:	Appendix A, Section 1.1
Description of Non-conformance and Related Evidence:	
The PD (Section 1.1) includes a project description but the PD does not follow the VCS template in its entirety. For example, the VCS template section 1.7 requires the proponent to "indicate the scale of the project (project or mega project) and the estimated annual GHG emission reductions or removals for the project crediting period" and section 1.12.1 of the template requires proof of title. However, this section of the PD did not include a table showing estimated annual GHG emission reductions/removals during the crediting period or proof of title. Section 1.7 does state further details and specifics of the project scenario ex-ante and ex-post data, assumptions and modeling are found in Section 4.2. Further details on the legal agreements relating to project scenario activities are found in Section 7. In addition the proponent states in section 1.7 that "The Afognak IFM-LtPF carbon project is projected to generate VCU's annually on a variable basis to a total of approximately 1.51 million tCO2e emissions reductions over the 30 year project crediting period." This value does not correspond to what is indicated in the Afognak Carbon Model v2.0 as the total number of VCU's., which is a lower number. While the project does include the minimum requirements outlined in the standard, it does not follow the VCS project description template in its entirety.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	A revised PD was provided (Afognak - VCS Project Design Document - 2012 v2.4 Final.pdf)
Findings for Evaluation of Evidence:	The revised PD follows the VCS template in its entirety as evidenced by reviewing the PD against the VCS template, and confirming that all sections are included. Section 1.7 now includes the estimation of GHG emission reductions or removals for the project crediting period, which contain estimated net removals as well as estimated VCUs. These values correspond with the updated calculations presented in Afognak Carbon Model v2.1 (1).xlsx. Section 1.12.1 of the PD now includes proof of title. Based on auditor review of the updated PD, it was determined that this NCR has sufficiently been addressed and can therefore be closed.
NCR Status:	**CLOSED**
Comments (optional):	

NCR#:	**02/12**
Standard & Requirement:	VCS AFOLU Requirements Section 3.1.3
Report Section:	Appendix A, Section 1.3
Description of Non-conformance and Related Evidence:	
The roles and responsibilities of the project proponents, project proponent representative and implementation partner are not explicitly defined within the PD (i.e. implementation, management and monitoring of the project over the project crediting period).	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	A revised PD was provided (Afognak Monitoring Report 2006-2011 v1.2 Final).
Findings for Evaluation of Evidence:	The revised PD (section 1.3) includes detailed roles and responsibilities of the project proponents, project proponent representatives and implementation partners, and outlines their respective participation in management and monitoring of the project. Based on auditor review of the updated PD, it was determined that this NCR has sufficiently been addressed and can therefore be closed.
NCR Status:	**CLOSED**
Comments (optional):	

NCR#:	**03/12**
Standard & Requirement:	VCS Standard v3 Section 3.11 and VCS AFOLU Requirements Section 3.4
Report Section:	Appendix A, Section 1.6
Description of Non-conformance and Related Evidence:	
Project location specified using geodetic polygons to delineate the geographic area of the project activity have not been provided in a KML file.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	The proponent submitted a KML file that delimits the boundary of all the parcels that make up the project area (“Afognak_Project_Boundary.kml”).
Findings for Evaluation of Evidence:	The KML file was reviewed in Google Earth and was determined to function properly and to match the project area boundary representations that are included throughout the PD. The auditors therefore determined that this NCR has been sufficiently addressed and can be closed.
NCR Status:	**CLOSED**
Comments (optional):	

NCR#:	**04/12**
Standard & Requirement:	VCS Standard v3 Section 3.1 and Approved VCS Methodology VM0012

Report Section:	Appendix A, Section 2.1 and 2.3
Description of Non-conformance and Related Evidence:	
The project is using the VCS VM0012 Improved Forest Management on Privately Owned Property in Temperate and Boreal Forests (LtPF) v.1.0. The project states the methodology has been updated by the methodology developer (update to an applicability condition making the project applicable on public lands). However, the VCS approved updated methodology has not yet been provided. As a result of this, the project is currently not in conformance with the existing methodology's applicability requirement that the project be on privately owned properties.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	The VCS announced on May 4, 2012 that VCS methodology VM0012 has been revised to apply to projects on public lands.
Findings for Evaluation of Evidence:	The methodology was previously limited to projects on private, fee simple properties. VM0012: Improved Forest Management in Temperate and Boreal Forests (LtPF) v1.1 is available for immediate use as of May 4, 2012 and is now eligible for use on projects located on public lands. Now that the project is using an approved methodology that is applicable to public lands, this NCR was determined to be closed.
NCR Status:	**CLOSED**
Comments (optional):	

NCR#:	**05/12**
Standard & Requirement:	VCS AFOLU Requirements Section 4.5 and VCS Standard v3 Section 3.14; IFM-LtPf Step 1; VCS VT0001 Step 1c
Report Section:	Appendix A, Section 3.1 and 3.2
Description of Non-conformance and Related Evidence:	
The proponent has identified five plausible scenarios in section 2.4 of the PD. Several of them have not adequately documented descriptions, rationales and/or information sources to support realistic and credible property management scenarios as required by step 1 of the methodology. For example: Scenario 1: The proponent states on pg 17 of the PD that "The Afognak property was sold to ALC/RMEF, and transferred to state ownership, and there is no history of management by ALC/RMEF prior to the project start date. While it is accurate that there is no history of management prior to the start date, the documented description does not adequately reflect the transaction history of the various parcels that comprise the project area and therefore the management history of the project area as a whole. For example, the proponent uses the term "Afognak" to refer to the project area; however it is comprised of several parcels with different ownership histories involving the Federal Government, the Afognak Joint Venture, and the proponents. Moreover, stating the properties were sold to the proponents is inaccurate. As described in section 7.1 of the PD, surface estate rights were acquired, while on other parcels, like Paul's Lake Tract A and Laura Lake, timber rights were acquired. In all cases, the State of Alaska ultimately acquired surface estate rights, and the proponent kept the rights to air emission offsets. Scenario 2: The proponent does not have harvest plans that inform the continuation of this scenario but mentions several pieces of evidence that are used to infer harvest practices. The proponent mentions several points to this effect, which include the following as examples:" A. "…however there is evidence from the extent of logging areas on the property that occurred within the period of approximately 1985 to 1996, along with evidence from adjacent properties managed by the previous owners."	

B. “Evidence of common or typical practice for the previous owners and/or similar owners has been forest liquidation logging in order to generate dividend returns to community shareholders.”

Statements such as these do not specifically identify and describe the evidence the proponent is referring to with sufficient clarity, and they are also unsupported by documented evidence. Specific description of the evidence used to demonstrate the plausibility of the harvest practices and documented evidence to substantiate this claim is required to fully assess the baseline scenario as realistic and credible.

Scenario 3: The proponent asserts that buyers of timber rights would likely harvest at a rate similar or faster than the previous owner’s harvest rates. It refers to logging activity on Afognak Island by TransPac to support this statement; however this reference is not supported with evidence required for the auditors to fully assess this baseline scenario as realistic and credible.

Scenario 4: Appraisal documents indicated that real estate was not a realistic scenario for most of the land base, as only small portions of the land would actually be viable for real estate development. Therefore, evidence to support the plausibility of developing remote residential areas has not been sufficiently demonstrated to include this as a realistic and credible baseline scenario.

Scenario 5: The proponent includes a conservation-driven acquisition purchased by a private entity followed by a donation for tax purposes or inclusion of a conservation easement on the project area to prevent logging. Such actions are stated to be representative of the proposed project activities. The audit team agrees with this assessment and notes that these scenarios do occur in the United States; however the proponent has not provided evidence to sufficiently demonstrate this scenario as plausible and credible.

Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	Scenario 1: The proponent modified the text in PD section 2.4 that is related to this scenario, which now defers to the explanation given in section 1.12.1 of the PD for information regarding the transactional history of each parcel contained within the project area. Scenario 2: The proponent has updated text in PD section 2.4 which references the new appendix 4 that was added to the PD, and which contains details regarding the construction of the baseline harvest scenario. Literature (Hunt 2010) is referenced as having insight into some of these questions. Scenario 3. The proponent updated text in this section to include evidence that the previous owners might have sold the timber rights to a commercial logging company. It provided by example reference to TransPac acquiring timber rights on Afognak, which the proponent asserts is relevant to Afognak Island. http://www.transpacfibre.com/web/transpac_alaska_lp/index.htm Subsequent interviews with ANC land managers confirmed that in 2004 the ANC business model changed to one where all timber operations and road building was outsourced in the form of standing timber sales. Further, companies like TrandsPac have bid successfully on these timber sales. TransPac has an agreement to operate one of the dry land sorts at the south end of Afognak Island in Danger Bay. Scenario 4: The proponent presented appraisal reports created by Macswain Associates, LLC pertaining to the Shuyak and Uganik parcels. These reports contain a chapter solely focused on determining a Higher and Better Use scenario.

	Scenario 5: The proponent updated text in PD section 2.4 to clarify that there is no credible market-based business model for this baseline scenario to provide financial returns for private investment capital, as there are no material revenue returns from conservation activities similar to the project scenario. The inclusion of this scenario is stated to meet element 2.1.1.a), item ii in the VCS additionality tool.
Findings for Evaluation of Evidence:	Scenario 1; The explanation provided in PD section 2.4 is simple and concise, and cuts to the point that there is not enough ownership history by the proponent to ultimately warrant further consideration of scenario 1. The tables provided in 1.12.1 of the PD adequately show the transaction history and because section 2.4 refers to these tables, this history is adequately represented for the purposes of this step. This aspect of the NCR is CLOSED. Scenario 2. Hunt 2010 was reviewed. The proponent indicated pages 114-116 of Hunt and confirms the history of logging and subsequent shipping of commercial timber from the project region to Asia. Hunt also provides a harvest rate, which the proponent cites in Appendix 4 of the PD as evidence that was used to support their own harvest rate. Evidence from the timber appraisal suggests liquidation logging is the norm. As a result the harvest rate appears plausible (See associated findings from NCR 14/12). Other evidence that supports this baseline scenario includes stakeholder consultations that confirmed that had this land not been sold it would have been logged in an identical manner than adjacent parcels of land. This aspect of the NCR is CLOSED. The Proponent indicated a 10.5% retention rate given by GIS analysis of files provided by Claire Doig. The fact that GIS files were transferred between Mr. Doig and the proponent was not clear in the PD text Appendix 4, but the harvest scenario maps generated by the proponent for the Shuyak and Uganik parcels match those in the timber harvest appraisal, which suggests that this in exchange of information did occur. See **OBS 07/12**. Scenario 3. The link provided is a website owned by the logging company Transpac, and identifies their logging rights to several native corporation holdings, one in 2002 with the Ouzinkie Native Corporation, and one owned by the Afognak Native Corporation in 2004, which is also cited in a timber appraisal by Forest and Land Management, Inc. The appraisals for Shuyak and Uganik created by Forest and Land Management Inc, include summary of other sales in the area. These show 3 separate transactions for the sales of timber cutting rights from various sellers to Trans Pac between 2002 and 2005. Other additional evidence was provided by stakeholder consultation that confirmed that had this land not been sold it may have been logged in a similar manner than adjacent parcels of land. TransPac has successfully bid on standing timber sales on Afognak Island and has an agreement to lease the log transfer facility at the south end of the island in Danger Bay. This aspect of the NCR is CLOSED. Scenario 4 The documents arrive at the conclusion that the highest and best use is for waterfront areas within these parcels to be used for recreation (small recreational cabins, homes, etc) in conjunction with commercial timber harvests. This finding is in line with the description in the PD. The credibility of the assessment was verified by the audit team through stakeholder interviews. Land Managers with ANC and professional foresters that have worked in the region confirmed that taking waterfront land out of the timber harvesting land base and using it as recreational real estate has been discussed and studied for several years. However, the market conditions for this have not been right and to date there are only 3 or 4 lodges on the north end of Afognak Island. Therefore this aspect of the NCR is CLOSED Scenario 5

	The proponent claims that there is no market-based business model for this baseline scenario to provide financial returns for private investment capital, as there are no material revenues returns from conservation activities similar to the project scenario, which is considered plausible by the auditors. The Project Proponents pointed out that there is regional evidence of other grant funded conservation acquisitions (in particular acquisitions made with EVOS restoration funds), but that these comparable conservation acquisitions were not repeatable without grant funding which is generally only available for a specific period (i.e. EVOS funding), is otherwise difficult to raise, intermittently available, or at a much smaller scale than this project. The proponent eliminated this scenario since there are more financially attractive alternative baseline scenarios. The auditors agree that the cited evidence of other grant-funded conservation acquisitions (e.g. EVOS funding) supports this as a credible baseline scenario, and their determination to eliminate this scenario since there are more financially attractive alternative baseline scenarios. This aspect of the NCR has therefore been closed.
NCR Status:	**CLOSED**
Comments (optional):	

NCR#:	**06/12**
Standard & Requirement:	VCS Standard v3 Section 3.15;VT0001 VCS AFOLU Additionality Tool v3.0, VM0012
Report Section:	Appendix A, Section 3.2
Description of Non-conformance and Related Evidence:	
While demonstrating Step 1a of the additionality tool in Section 2.5 of the PD, the project lists the same five scenarios that were identified in Section 2.4 of the PD. While this is in accordance with the test for additionality, the manner in which the five scenarios correspond to the three scenarios required by the tool (Additionality tool section 2.1.1.a) is not made explicit.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	The proponent modified Step 1a within section 2.5 of the PD. The proponent's modification is as follows: 1. Historical practice (Step 1a.i - Continuation of pre-project land use) 2. Continuation of the previous owners practices (selected baseline scenario) (Step 1a.iii – Extrapolation of legal and observed regional common practice) 3. Acquisition by a market driven acquirer baseline logging scenario (Step 1a.iii – Extrapolation of legal and observed regional common practice) 4. Acquisition for conversion to real estate development lands (Step 1a.iii – Extrapolation of legal and observed regional common practice) 5. Acquisition for conversion to conservation lands (project scenario) (Step 1a.ii – Project activity without carbon project)
Findings for Evaluation of Evidence:	The proponent's modification now explicitly relates each of the plausible scenarios back to the scenarios as required by the addtionality tool. The manner in which these scenarios have been related back is adequate, and it was determined by the auditors that this NCR has been sufficiently addressed and can be closed.
NCR Status:	**CLOSED**

NCR#:	07/12
Standard & Requirement:	VCS Standard v3 Section 3.15; VT0001 VCS AFOLU Additionality Tool v3.0; VCS VT0001 Step 1b.
Report Section:	Appendix A, Section 3.2
Description of Non-conformance and Related Evidence:	
When conducting Step 1b of the additionality tool in PD section 2.5 the proponent states that: "All plausible baseline scenarios could be undertaken within the legal requirements of private forestland or private remote residential land in the Kodiak Island Borough, Conservation District Zoning." No further analysis is provided. This analysis does not demonstrate that the steps outlined in section 2.1.2 of the additionality tool have been followed, nor is evidence provided to support this claim as required in section 2.1.2 of the additionality tool.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	The proponent updated the text in PD section 2.5 related to step 1b. The updated text refers the reader to the newly created Appendix 4 to the PD, which contains an analysis of applicable laws and regulations. Appendix 4 contains a section regarding pertinent legal requirements and references documents developed by the US Army Corps of Engineers (2002), the US Fish and Wildlife Service (2007), and Forest and Land Management, Inc (2008). The text also makes reference to findings in Forest and Land Management's reports regarding the minimal amount of zoning restrictions in the area.
Findings for Evaluation of Evidence:	These references were provided and reviewed. On page 157 of Appendix 4 the proponent identifies 330ft buffers for eagle nests and 66 ft buffers as the only required regulation regarding timber harvests. This is based on the timber appraisal by Forest and Land Management which identifies these restrictions. The proponent demonstrated the method for demarcating its areas of retention to the audit team using recent aerial photographs, which include buffers that are not included in the baseline scenario. The report from US Fish and Wildlife forms the basis for the buffer recommendations and are also represented in the US Army Corps of Engineers report. Therefore the proponent appears to have considered the minimum regulations that would affect retention rates for the simulated harvest scenario. The reports by Forest and Land Management refer to zoning regulations pertinent to Kodiak Island Borough (KIB) Conservation District Zoning, and state the zoning permits timber harvest and recreational lodges. The proponent provides the US Army Corps of Engineers Riparian Management Zone Regulations which contain reference to zoning in the KIB. These regulations only comment on minimal set-backs for habitable dwellings and minimal tree retention. However, because Higher and Better Use areas are logged by the proponent for justifiable reasons (see NCR 14/12), these regulations are not considered material to the harvest scenario and the proponent has indicated that it left 15% of harvestable trees in the simulations within the higher and better use areas. Aside from the regulations mentioned there are no other regulations that appear to materially impact the design of the baseline harvest scenario. Based on the auditor's review of the updated PD text and supplementary references that were provided this NCR is closed.
NCR Status:	**CLOSED**

NCR#:	08/12
Standard & Requirement:	VCS Standard v3 Section 3.15; VCS VT0001 Step 2a
Report Section:	Appendix A, Section 3.2

Description of Non-conformance and Related Evidence:	
Step 2a. The proponent provides a written description that summarizes the findings of the Simple Cost analysis, and indicates that "*Afognak Forest Carbon Project fails the Simple Cost Analysis test, with no revenue sources aside from carbon finance, yet being faced with ongoing project related costs – there is no opportunity for any level of return on investment under the project scenario."* Although this is a logical conclusion the proponent has not provided a completed simple cost analysis to the audit team, therefore this is a nonconformance against requirement 2.2.2 of the tool.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	The proponent added a tab to the Afognak Carbon Model that includes a simple cost analysis of the project.
Findings for Evaluation of Evidence:	The assumptions and calculations presented in the simple cost analysis are justified since the project does not anticipate raising non-carbon revenue. The results show a financial advantage to commercial timber harvests, whose assumptions are clearly laid out and are adequate based on the evidence provided. The auditors therefore determined that this NCR can be closed.
NCR Status:	**CLOSED**

NCR#:	**09/12**
Standard & Requirement:	VCS Standard v3 Section 3.15; VCS VT0001 Step 2a
Report Section:	Appendix A, Section 3.2
Description of Non-conformance and Related Evidence:	
Step 4. The proponent provides an analysis of Common Practice. Therein the proponent indicates that a comparison of the project activity was made "with other conservation activities similar to the project scenario that have taken place on the island". The results of this comparison aim to demonstrate that no other similar activities have taken place that meets the investment or barrier analysis tests. However, no explanation is provided that describes how the proponent conducted its comparison and what projects were considered. Furthermore, the proponent appears to limit its analysis to Afognak Island, however the methodology is not this restrictive, stating that proponents compare projects "in the geographical area of the proposed VCS AFOLU project activity". Due to the lack of supporting evidence the audit team was unable to evaluate the sufficiency of the proponent's common practice analysis, which then affects the audit team's ability to assess the conclusion that there is no common practice comprised of conservation-driven activities that meet the investment analysis criteria. Furthermore, the geographic scope of the analysis (the island) may be too narrow, possibly excluding relevant conservation examples that occurred in the geographic area of the project. (See section 2.4.1 of the tool for reference)	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	The proponent revised their PD section 2.4 to include text that adds that a reference to an online document http://dnr.alaska.gov/commis/evos2/EVOS_atlas_web.pdf. The proponent submitted the following confidential documents as evidence of the financial transactions required to acquire the land area: • ADNR note forwarded again (email message)

	• Ajvgrant (grant award letter) • AJV-RMEF-ALC_signed Settlement Statements • ALC RMEF Expenses (email message) • Forest Legacy Use (email message) • Message 2.eml (email message) • Message 5.eml (email message) • Paul Allen addendum letter 3-3-2005 (grant contract addendum) • Paul Allen Grant Agreement 9-12-2002 (grant contract) • Paul Allen Grant Final Report 5-8-2006 • Reso 8-16 Shuyak signed (Resolution 08-16) • Reso 8-17 Uganik signed (Resolution 08-17) • SettlementStatements_Shuyak • SettlementStatements_Uganik • Summary of Financial Transactions for Afognak • Thorensen Budget (grant budget) • Thoresen Grant Request 9-23-09 final • 2005 Purchase Contract • 2005 Policy of Title Insurance issued by Stewart Title Guaranty Company • EVOS Acquisition Catalog
Findings for Evaluation of Evidence:	The proponent revised the text in the PD to include a complete analysis of common practice within the region. The revised text includes a step-wise process conducted by the proponent to identify common practice and compare project activities to other conservation projects within the region. This process included: 1. *Interviewing a leading expert in the Afognak/Kodiak region on conservation acquisitions;* 2. *Reviewing the key conservation acquisition portfolio of the Exxon Valdez Oil Spill Trustee Council (the major source of regional conservation acquisitions in the past 20 years);* 3. *Providing supplementary information related to the differences between the Afognak project grant-financing sources versus other conservation acquisitions.* In addition to the revised text, the proponent submitted a series of confidential financial documents to the audit team as evidence to demonstrate that grant capital was required to conduct the project activity through obtaining necessary funds for the project area and/or timber rights acquisition. The audit team reviewed these documents and confirmed that the project area acquisition and/or timber rights acquisition was funded through grants from a variety of sources. Review of funds confirmed that although some funds from EVOS were included, these funds were matched by other funding sources, demonstrating that the project was not exclusively funded through the use of EVOS funds, and grant funding was a critical component to the feasibility of project activities. Further, the unique nature of the transaction required that the project proponents incurred significant transaction costs. The proponent provided evidence of these costs. The audit team found that the revised text and additional evidence of financial transactions related to project activities was sufficient to demonstrate that the project has completed a common practice analysis in conformance with the VCS VT0001, and that the project activities do not reflect common practice within the region. As such this NCR is closed.
NCR Status:	**CLOSED**

NCR#:	**10/12**
Standard & Requirement:	VCS Standard v3 Section 3.16; VM0012 Section 8.0

Report Section:	Appendix A, Section 4.1 and 7.2
Description of Non-conformance and Related Evidence:	
Within the PD descriptions of the findings of the appraisal plan (see Pg 59 Step 2, stage 1 of PD) the proponent does not clearly specify which adjacent lands were reviewed. It is also not evident what characteristics were observed within theses harvests that justified including "higher and better use" lands back into the baseline harvest plan, and why the harvests in adjacent lands necessarily imply that similar lands in the project area would also be harvested.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	The audit team determined that NCR 10/12 was redundant points raised in NCR 14/12.
Findings for Evaluation of Evidence:	Therefore this NCR is CLOSED
NCR Status:	**CLOSED**

NCR#:	**11/12**
Standard & Requirement:	VCS Standard v3 Section 3.16; VM0012 Section 8.0
Report Section:	Appendix A, Section 4.1
Description of Non-conformance and Related Evidence:	
The audit team determined that the orthophotos used are in fact from the State of Alaska Digital Orthoimagery program, and also observed the method used by the proponent to select harvestable areas during the field audit. The proponent demonstrated competency in delineating harvestable areas within the project area using the orthophotos. Although the audit team confirmed the source of the photos and viewed them during the audit, the exact source of the photos as well as the specific photos used are not explicitly referenced in the PD, which affects the transparency and verifiability of the baseline model's assumptions.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	The proponent updated the PD and the monitoring report ("Afognak - VCS Project Design Document - 2012 v2.4 Final.pdf", "Afognak Monitoring Report 2006-2011 v1.2 Final.pdf") on pages 48 and 10 respectively.
Findings for Evaluation of Evidence:	In both the updated PD and the Monitoring Report the proponent has clearly indicated the source of the orthophotos as being part of the Alaska Digital Orthoimagery program. The internet link to this source is provided unambiguously, and each of the 6 photos that were downloaded were clearly identified along with their unique ID and photo date. The auditors determined these updates to the PD and monitoring report provided sufficient evidence to address this non-conformance and this NCR has therefore been closed.
NCR Status:	**CLOSED**

NCR#:	12/12
Standard & Requirement:	VCS Standard v3 Section 3.16; VM0012 Section 9.3.1, 9.3.2, 9.3.3, 9.4.1, 9.4.2
Report Section:	Appendix A, Section 4.1
Description of Non-conformance and Related Evidence:	
The project proponent's with-project carbon balance did not exclude claiming growth on parcels that were not under its control in 2008. For example, the proponent begins modeling re-growth in year 2008 however according to the ownership history on page 91 of the PD parcels like Uganik and Shuyak were not part of the project area until 2009.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	The proponent updated its landscape summary tool (LST) "Afognak LST April 20, 2012.xlsx", which quantifies the baseline and project emissions scenarios, as well as the PD and Monitoring report. The proponent included the following commentary in all the aforementioned documents "*Harvesting activities that occurred in 2008 were limited to the Waterfall and Laura Lakes Tract B parcels; in 2009-2011 harvesting activities were distributed throughout all parcels*." (LST – Tab, Annual Curve Calculations, PD – Section 3.1 Pg 44, Monitoring Report, Section 4.1.2). In addition the Landscape summary tool includes new columns that specify the parcels in which simulated harvests take place, as well as a pivot table that provides the proponent's harvestable areas within each of the parcels.
Findings for Evaluation of Evidence:	The general commentary provided acknowledges that the proponent did not have timber rights to all of the parcels as of 2008 (start of the baseline projections). Based on the transaction history in section 1.12.1 of the PD, which was verified by the audit team, the Waterfall and Laura Lakes Tract B parcels are eligible for the project start date of 2008 because surface and timber rights were already acquired in 2005. The additional information provided in the LST clearly designates the simulated harvests that begin in 2008 of 196 ha to be distributed within the aforementioned parcels. The corresponding harvestable land areas for each parcel, 635.7 ha and 295.5 ha respectively, show that available harvestable area is greater than the simulated harvest in 2008. The land areas were generated through GIS analysis using best practices and the operator demonstrated competence in geospatial analysis. Therefore, the proponent has demonstrated that it is not claiming growth on parcels where it did not own the timber rights at the start of the simulated baseline scenario which begins in 2008.
NCR Status:	**CLOSED**

NCR#:	13/12
Standard & Requirement:	VCS Standard v3 Section 3.16; VM0012 Section 8.3.1
Report Section:	Appendix A, Section 4.1
Description of Non-conformance and Related Evidence:	
It is difficult to determine from the documentation whether the Afognak Carbon Model incorporates all of the variables required in equation 19 of the VM0012 methodology. For example, $RE_{BSL,k}$ is defined, justified and calculated properly however it is not clear from the documentation how/if the remaining variables in equation 19 have been determined and used in the proponent's calculation.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

	Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	The proponent provided clarifying statements in Appendix 2 to the PD within the section related to equation 19.
Findings for Evaluation of Evidence:	The comments indicate that the remaining variables that are a part of Equation 19 are handled internally within FORECAST. Since the individual responsible for modelling has been actively involved in the development of FORECAST this assessment is considered sufficient and the auditors determined that this NCR can be closed.
NCR Status:	**CLOSED**

NCR#:	**14/12**
Standard & Requirement:	VCS Standard v3 2.4.1
Report Section:	Appendix A, Section 4.7

Description of Non-conformance and Related Evidence:

Several assumptions used to determine GHG emission reduction estimates were not adequately supported with references and/or justifications for their appropriateness. Some of these examples are listed below.

1. The appropriateness of the variables contained in Table 6 of the PD has not been explained or justified.

2. On page 60 of the PD there has not been sufficient explanation as to how the 5% and 15% retention rates of merchantable trees within the harvest areas were determined.

3. The proponent indicates that the previous owners' clear-cut logging practices are projected to occur over a 10-year timeframe. This is based on:
a. " ..original timber rights agreement that the previous owners held on the initial transactions" (PD pg 56).
b. The assumption that previous owners "...would have targeted a compressed harvest schedule to mitigate the high remote operational, mobilization, and log shipping costs" (PD pg 56).

No additional supporting evidence is given.

Pg 10 states that "Approximately 15% of the productive landbase within the project area has been clear-cut logged since the mid- to late- 1980's." The explanations presented by the proponent in favor of the 10-year harvesting period do not appear to be fully justified considering that it apparently took the previous landowner from the "mid-late 1980's" until 1999 to clear 15% of the productive land base within the project area. The evidence provided in the PD did not substantiate that the previous land-owner would have pursued a 10-year harvesting timeline. This has implications on annual baseline emissions estimates.

4. Regarding the inputs for FORECAST, although the FORECAST input file provided a clear list of the inputs, their sources, and justification as to why they are applicable to the project conditions this information is not included in the documentation. Therefore the appropriateness of these inputs cannot be assessed. Although a raw copy of these inputs was provided "Sitka Spruce Dataset Afognak.xlsx" it is not possible to easily determine the source and appropriateness of these factors. Some examples include the sources for foliar nitrogen content in Sitka Spruce, soil N and P content, and light quality/availability.

5. The branch/foliage "rational function" used to determine foliar and branch biomass has not been justified or clearly identified in the documentation.

6. Several variables required by the methodology and which are identified and described in the PD Section 3.1 either have inadequately referenced sources or have no supporting justification. Although it is acknowledged that FORECAST handles the

modeling of these biomass gain/loss processes, the project proponent has not demonstrated that all variables required by the methodology are accounted for and are sufficiently justified in the documentation. Some examples of this include: a. It is unclear how fBSL,SWDECAY,i,t justified by Vanderwel, M., Malcolm, J., & Smith, S. (2006b), is appropriate for the project area when it is a study based on hardwood forests in Ontario. b. The source used for fBSLnatural , and fBSL,DAMAGE,i,t is not specified. c. fBSL,DAMAGE,i,t , fBSLBlowdown , fBSL,Harvest, fBSL,BRANCH,i,t, fBSL,BUCKINGLOSS,i,t, fBSL,lwDECAY,i,t, have no justifications provided. 7. Some assumptions and factors regarding the calculation of emissions from ocean transport within the Afognak Carbon Model are not clearly identified, referenced or justified. Examples include: "Tons of Co2 per ton of diesel fuel" and factors embedded in "Consumption at full power (Tons/Day) as a function of gross tonnage (GRT) for solid bulk carriers based." 8. The Afognak Carbon Model contains transparent equations for converting merchantable tree volume using an average wood density of 0.4, a value that is a sub-regional estimate. However the proponent has not provided a full reference for this source (Gonzalez 1990), which prevents the audit team from determining the adequacy of this variable in carbon calculations.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	1. Pg 36 of the PD contains reference to a US Forest Service reference from 1972, which is where the values in this table were obtained. 2. The proponent added Appendix 4 to the PD, which explains the assumptions regarding the baseline harvesting scenario, including areas retained, areas harvested, harvest rates, as well as which parcels of land were viewed to arrive at these conclusions. Section I of appendix 4 presents point by point descriptions of which areas were reviewed, including annotated maps of non-project areas on Delphin Point and Gretchen lake that show what harvest patterns. Table A.1 of appendix 4 provides data for measures of fragmentation of productive land and stream density within the different parcels. The proponent also shows photographic evidence of minimal retention during clear-cut harvesting on Delphin Point. Further, according to communications with the proponent, appraiser Mr.Claire Doig provided GIS files that were used by the proponent to establish a plausible harvest scenario and determine potential retention rates. This data forms the basis for simulated harvest plans developed by the proponent, and which are contained in Figure A1 of Appendix 4. 3. The proponent references a work by Hunt 2010, and has indicated that approximate harvest rates are cited on page 133, and provided supporting detail through correspondence with the audit team. In addition Appendix 4 was added to the PD, which explains the assumptions regarding the baseline harvesting scenario, including areas retained, areas harvested, harvest rates, as well as which parcels of land were viewed to arrive at these conclusions. 4. The proponent has added an extra column to each tab presented in the file "Sitka Spruce Dataset Afognak v1.1.xlsx", which describes the sources used for each assumption. 5. Clarifications regarding the derivation of the rational function were provided in "Sitka Spruce Dataset Afognak v1.1.xlsx", and "Ss SI 20 data from TIPSY with Standish equations v1.1". The justification that was provided explains that the rational function was developed over many years by the model operator after observing that the Standish equation gave poor results regarding maximum branch and foliage biomass. 6. The tables in section 4.1 of the PD now include references and justification for all variables,

	especially those identified in this NCR. 7. The proponent has provided sources to justify several factors used to calculate ocean transport emissions that previously lacked supporting evidence/justification. The proponent has used information from the 2006 IPCC guidelines for National Greenhouse Gas Inventories. Chapter 3. 8. The proponent provided a copy of (Gonzales 1990) to the audit team and explained that data from non-native Sitka Spruce data was not used.
Findings for Evaluation of Evidence:	1. The reference was deemed appropriate for modelling purposes. This aspect of the NCR is CLOSED. 2. The Gretchen Lake analysis provides evidence of extensive clear cutting practices. The proponent says that a visual assessment was performed to determine the retention rate, and that it suggests a rate of <15%. The picture provided in the PD (Figure A2) shows a mosaic of retained areas, but because the proponent relied on a visual assessment of the area it is difficult to ascertain what the rate of retention was exactly, but it appears to be in the range of 10-15%. Furthermore, it is not clear where this parcel of land is located with respect to the project area. Therefore there is insufficient evidence for the audit team to properly use the Gretchen Lake analysis as evidence of a retention rate of <15%. The proponent also provides analysis of non-project areas on Delphin Point, where tracts of the Uganik and Shuyak Parcels are located, as well as some non-project harvested areas. This analysis suggests examples of logging in many of the types of areas identified by Mr. Doig as higher and better use, which are typically comprised of lake-front property. Figure A3 in Appendix 4 shows many examples where these higher and better use (HBU) areas were harvested, which supports the proponent's decision to include areas that were designated as HBU back into the baseline harvest scenario. Finally, the photographic evidence provided corroborates what was seen by the audit team in harvest sites in the project area, which consisted of thorough clear-cut harvesting with minimal retention. The proponent is actually using a retention level of 14.2%, which is a combination of the 5% and 15% retention rates as they are applied to the potential harvest area in the baseline scenario, which is described in section 3.1 of the PD. In appendix 4 Section I, the proponent asserts that it is more reasonable to compare the 10.4% retention rate from the Shuyak parcel than the 24% retention found in the Uganik parcel because the remaining parcels that are part of the project area are more similar to the Shuyak parcel. The auditors initially determined that the proponent had not presented sufficient evidence to justify that the Shuyak parcel is more comparable to the remaining parcels used in the baseline harvest scenario. However, Appendix 4 was updated with additional information provided to make this justification. The proponent explains how the Shuyak parcel is more representative of the other parcels within the project area in terms of the type of terrain and the level of fragmentation of both the remaining and mature forest and the total pre-harvest (prior to 1999 harvest) productive land (Table A1 and Figure A1). It is stated that this was observed to be the case during on-site fieldwork in the fall of 2011 and evident in review of orthophotos, where the level of openings and forest fragmentation is obvious in the Uganik parcel. In order to confirm these observations the proponent looked at the level of forest fragmentation and the density of streams, which are key determinations with respect to the amount of mature forest likely to be left behind during harvest operations due to stream buffers, operability around larger stream terrain, and operational accessibility and the economics to reach isolated mature timber patches (such as across wet openings). In order to evaluate the level of fragmentation in the pre-harvest landscape within the project area, polygons of pre-harvest productive forest area were created

	using a dissolve function in ARCGIS to remove the borders of the polygons harvested prior to 1999, and analysis done to compare the level of fragmentation and density of streams between parcels. The data presented in Table A1 of Appendix 4 shows the spatial distribution of existing mature forest and of total pre-harvest productive land as being considerably more fragmented in the Uganik parcel as compared to the Shuyak, Waterfall, and Laura Lake/Paul's Lake parcels. Auditor review of table A1 in Appendix 4 confirmed that the presented measures of fragmentation of productive land and stream density within the different parcels of the project area show that the Uganik parcel is considerably different from that of the other parcels for projections of mature forest retention levels. This additional tangible evidence allowed the auditors to determine that the project's projected baseline scenario retention level (14.2%) is appropriate given the closer comparison to the most representative Shuyak parcel that has a retention rate of 10.5%. This aspect of the NCR has therefore been closed. 3. The harvest rates cited in Hunt are general in nature and cite that "During the early 1990s, an estimated 50-60 million board feet of timber was cut from the land each year." (Pg. 133). This source is a publication of the Exxon Valdez Oil Spill Trustee Council and the Alaska Dept. of Fish and Game, and is therefore considered appropriate. The proponent suggests on page 160 of the PD (Appendix 4) that the estimate given by Hunt amounts to roughly 208-250 ha/year assuming approximately 560m3/ha of harvestable wood volume. This wood volume appears to be correct because it is based on the estimates of harvestable wood volumes developed in the timber appraisals made by Forest and Land Management, Inc, which were reviewed by the audit team. The audit team reviewed the volume calculations used by the proponent to determine standing wood volume cited in the appraisals, which were calculated from cubic feet/acre to cubic meters/hectare and confirmed they were accurate. Forest and Land Management, Inc was confirmed to use reputable forestry experts as part of their staff, and their data is therefore considered acceptable. The harvest rate of 196 ha/yr that was developed by the proponent for the baseline harvest rate is slightly more conservative than the low estimate cited by Hunt. From this perspective the harvest rate is plausible. The proponent also further explains the pending expiration of timber rights as another reason for justifying the 10-year baseline harvest timeline. The proponent asserts that the previous owners had an incentive to not leave merchantable timber standing on the tracts where they had retained their harvest rights (Paul's Lake and Laura Lakes), but that no harvests had occurred on them as of 2005, when surface rights for the some of the parcels were acquired by the proponent. There is no indication that harvests had occurred on the project area parcels through 2005 and has not demonstrated conclusively that this would have happened. However, the audit team is an agreement that the 11-year harvest timeline is plausible and more than sufficient to harvest 198.6 ha/year. Expert opinion by Claire Doig suggests it would be accomplished in 8 years, while a Fish and Game official was cited in a local Winrock study as saying it would have occurred in 12 years. This is anecdotal evidence but does suggest that the proponent's timeline is plausible. On pg 160 of the PD the proponent adds evidence cited in the work by Forest and Land Management, Inc that between 1997-2007 many native corporations had ceased timber operations because their timber had been exhausted, and that at the same time Afognak Native Corporation (ANC) had ceased their operations as well, but have since engaged Trans-Pac, a logging company, in timber sales. These sales are identified in the timber appraisal. This evidence adds support to the view that forestry practices in the area were based on liquidating their timber quickly, and that native corporations were opting to outsource logging operations to third-parties. However, the timber appraisal for the Skuyak parcel also says on pg. 26 that in 2004 the ANC determined that it could no longer compete under the prevailing market conditions and ceased timber harvesting on Afognak. In subsequent discussions with ANC land managers greater detail was provided. In 2003 ANC changed their harvesting model to one where all forest operations are outsourced in the form of standing timber sales. Companies

	like Trans-Pac bid on individual timber sales and are responsible for road building, harvesting and log hauling. The increase in value of logs shipped to Asia, and to China in particular, has meant that harvesting has resumed on Afognak Island. The evidence provided by the proponent demonstrate that the baseline scenario harvest rate is logical and plausible, however there is no evidence cited directly from the previous owner as to whether the project area would have been harvested. This is an important point considering that the timber appraisal says other native corporations ended up ceasing timber operations. However, as discussed above, the timber operations were not halted, but rather the business model was modified to one of outsourcing operations. In subsequent interviews with ANC land managers it was confirmed that had the land not been sold, it would have been logged. During these interviews the auditor also discussed the likely timeframe for logging. Although the rate of harvest would have ultimately been based on market conditions, it was confirmed that there would have been no problem liquidating the forest within a 10 year time period, and that logging rates on Afognak have been very high for the past couple of years which would have been very high due to demand from China. These interviews further support the 10 year baseline harvest scenario. In addition, the sale of this land was not typical, as ANC and its partners in the Afognak Joint Venture (AJV) are disinclined to dispose of land. The sale of these parcels was a unique situation to raise the funds needed to compensate several AJV members that were petitioning to leave the AJV. The parcels that had been sold were part of the major road development plan completed for AJV lands on Afognak Island in the mid-1990s. Portions of Shuyak 2a, Uganik 3a and Shuyak 2b parcels had been harvested according to this plan prior to the sale of ALC/RMEF. As a result these follow-up discussions the auditors determined that this aspect of the NCR has been CLOSED 4. The extra information provided identifies the source behind each assumption used. The operator of the model is an expert in using this model and his expert opinion was used to derive values appropriate for the modelling scenario. This is common practice when performing modelling exercises. As a result this aspect of the NCR is CLOSED. 5. The justification provided is adequate given that the modelling process involves constant adjustments to available data to better approximate empirical reality. The operator is an expert in this field and has demonstrated competency performing these types of judgements. This aspect of the NCR is CLOSED. 6. The explanations regarding those cited in the NCR explain that many of these variables are extremely difficult to estimate and necessarily involve the use of expert opinion. In the experience of the audit team, this assertion is valid. Therefore this aspect of the NCR is CLOSED. 7. Many of the factors used by the proponent, and which came from the 2006 IPCC guidelines for National Greenhouse Gas Inventories, Chapter 3, were checked. They were accurately represented and used by the proponent. This aspect of the NCR is CLOSED. 8. The reference supports the use of average wood density as 0.4, and the reference was deemed to be appropriate for the project area because the source cited a range of density values from a range of native Sitka Spruce habitats. The proponent obtained an average of wood density from native habitats, and the average was deemed to be acceptable based on the range of published densities. Therefore this aspect of the NCR is CLOSED.
NCR Status:	**CLOSED**

NCR#:	**15/12**
Standard & Requirement:	VCS AFOLU Requirements Sections 4.6.13

Report Section:	Appendix A, Section 5.4
Description of Non-conformance and Related Evidence:	
The proponent indicates on page 78 of the PD that the current carbon legal title rights owner are non-profit conservation-driven organizations and provides table 11 to indicate that these organization do not have a history of commercial harvesting in properties outside the project area. However the description on pg 78 and the contents of table 11 do not by themselves serve as adequate documented evidence to demonstrate that it meets the requirements set in the VCS AFOLU Requirements Section 4.6.13.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	The proponent added references within section 3.3 of the revised PD that refer to email communications by representatives that indicate that neither the ALC or RMEF are engaged or plan to engage in commercial harvests. References to the mission statements of each proponent have been provided in the form of links to their official websites.
Findings for Evaluation of Evidence:	The websites suggest that both the ALC and RMEF are entirely focused on the conservation of land and habitats, and do not indicate that they are engaged or plan to be engaged in commercial harvests. The email correspondence with the President of the ALC and the vice president of the RMEF was reviewed and confirmed, and their contents support the assertion that neither organization has a history of commercial timber harvests. The auditors have therefore determined that this NCR can be closed.
NCR Status:	**CLOSED**

NCR#:	**16/12**
Standard & Requirement:	VCS Standard V3; VM0012 Section 11.3
Report Section:	Appendix A, Section 6.1
Description of Non-conformance and Related Evidence:	
A review of the Afognak Carbon Model v2.0 suggests there is a mathematical error that occurs when the proponent attempts to remove emissions from harvesting, manufacturing, and transportation from the net annualized emissions that leads to an incorrect calculation of VCUs. An error arises in excel because the negative emissions value from harvesting emissions is being subtracted from net annualized emissions as a positive number, which leads to a decrease in adjusted net emissions reductions instead of an increase. For example in the tab “Summary Tables and Figs” of the Afognak Carbon Model v2.0, the proponent subtracts cell AJ11 from cell BB11, however the excel model is not recognizing the subtraction of the negative number represented in AJ11. As such the net emissions reductions value to which the buffer percentage withholding is applied is incorrect, in turn makes the actual buffer withholding incorrect, thus leading to an incorrect VCU calculation.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	The proponent asserts that the calculation mentioned in the NCR is correct and no change has been made.

Findings for Evaluation of Evidence:	The audit team reviewed the calculation and determined that it is in fact correct and that no change is or was necessary. The potential error the auditors had thought to have identified was in fact not an error, and this NCR can therefore be closed.
NCR Status:	**CLOSED**

NCR#:	**17/12**
Standard & Requirement:	VCS Standard v3 Section 3.18.1
Report Section:	Appendix A, Section 7.1
Description of Non-conformance and Related Evidence:	
There is adequate QA/QC for Data Archiving procedures which were also substantiated during the field visit when the project proponent verbally demonstrated the understanding of record retention requirements, and explained their data retention procedures/policies. SOPs for data handling were provided to the auditor. However, the PD description (p. 51) of "Afognak" as having document control procedures is unclear as it doesn't identify who Afognak is and doesn't demonstrate who is ultimately responsible for the procedures and record maintenance requirements.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	A revised PD was provided (Afognak Monitoring Report 2006-2011 v1.2 Final).
Findings for Evaluation of Evidence:	The revised PD (page 96 in section 4.3) now clearly states that all monitoring activities (including all Quality Assurance/Quality Control Measures as outlined starting on page 100) for the Afognak project will be managed by Camco as the Project Proponent Representative. Based on auditor review of the updated PD provided, it was determined that this NCR can be closed.
NCR Status:	**CLOSED**
Comments (optional):	

NCR#:	**18/12**
Standard & Requirement:	VCS Standard V3 Section 3.17.3 – 3.17.5 VCS AFOLU Requirements Section 4.8: Monitoring plan
Report Section:	Appendix A, Section 7.3
Description of Non-conformance and Related Evidence:	
The PD (Section 3.3) states that ongoing monitoring is the primary operational task for the project and this will be the role of the carbon project manager. It is not clear who the carbon project manager is and/or what project proponent team this person will be part of. Further, the monitoring plan states monitoring activities are managed by Camco and 3GreenTree. Onsite, the project proponent stated that monitoring is the responsibility of Camco. Clarification between the documents is required.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation

	Prior to Verification
Evidence Provided by Organization:	A revised PD was provided (Afognak Monitoring Report 2006-2011 v1.2 Final).
Findings for Evaluation of Evidence:	The revised PD (section 4.3) now shows that ongoing monitoring is the primary operational task for the project, all aspects of which will be under the project management responsibility of Camco as the Project Proponent Representative. Based on this information presented in the updated PD, the auditors determined that this NCR can be closed.
NCR Status:	**CLOSED**
Comments (optional):	

NCR#:	**19/12**
Standard & Requirement:	VCS AFOLU Requirements Section 3.1.4: Negative environmental and socio-economic impacts
Report Section:	Appendix A, Section 8.1
Description of Non-conformance and Related Evidence:	
The project proponents state (PD Section 5) that there are no known environmental impacts to assess for the retention of natural forests and that the project will only enhance all aspects of biodiversity, water and other environmental attributes through the protection of the natural ecosystem. Any project management activities will be low impact operations focused on salvage, restoration or preventative activities. These activities will be on small areas annually. The PD does not discuss any potential negative socio-economic impacts that may result from the project activities.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	A revised PD was provided (Afognak Monitoring Report 2006-2011 v1.2 Final).
Findings for Evaluation of Evidence:	The revised PD (section 5) discusses potential negative socio-economic impacts from the project. It summarizes that there are likely no negative socio-economic impacts as there are no communities/residents or parties directly dependant on the physical project area for economic livelihood, and the shareholders, communities and residents still retained full access to the project area for subsistence and recreational use. Further, the PD ascertains that the project activity will more likely generate a positive outcome, given the selling corporations were able to extract the land and timber value through the transaction which could be then re-invested in more lucrative ventures, and/or otherwise generate at least equivalent wealth to the timber (i.e. it was acquired at a market valuation) for shareholders. Based on this information presented in the updated PD, the auditors determined that this NCR can be closed.
NCR Status:	**CLOSED**
Comments (optional):	

NCR#:	**20/12**
Standard & Requirement:	VCS AFOLU Non-Permanence Risk Tool Section 2.1.1
Report Section:	Appendix A, Section 10.2
Description of Non-conformance and Related Evidence:	

The proponent has provided a completed non-permanence risk report, which is incorporated into the PD starting on page 101. The proponent has not used the most recent version of the AFOLU Non-Permanence Risk Tool. Several issues were identified and will need to be corrected before the final risk score can be evaluated. Issues were identified in the components of the risk report as listed below, but for more details please refer to the findings listed in table 10.2 of the report. Risk Report Components that require corrections: 1. Project Management 2. Financial Viability 3. Opportunity Cost 4. Project Longevity 6. Land Tenure 7. Political Risk 8. Natural Risk	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	The proponent provided an updated version of the VCS Non-Permanence Risk report that contains updates to specific tables relevant to the report. The description below identifies the table and item within the table in which modifications were made. Project Management 1. Item c). The proponent clearly identified Camco Global as Project Proponent Partner and project manager. 3GreenTree is identified as implementing partner. Additional descriptions are provided in section 1.3 of the PD. 2. Item d). The proponent clearly identified the location where the project manager is located (Denver, Colorado) 3. Item e). The proponent referenced 3GreenTree's website, as well as Camco Global's website which provide descriptions of past projects http://www.camcoglobal.com/en/ourexpcarb.html, and http://3greentree.com/whatwe'vedone.html. The individuals involved are identified in these websites as well (http://www.camcoglobal.com/en/managementteam.html, http://3greentree.com/team.html). Financial Viability 1. Items a-d) The proponent clearly indicated that it has selected item "d", and listed a score of "0" for this item. It has added the tab "Financial Viability" within the file "Afognak Carbon Model v2.1.xlsx", which contains a cash flow analysis for the duration of the project. 2. Items e-h) and Item i). The proponent modified the Risk Report contained within the PD to make explicit reference to Camco's publically available financial information contained online and it lists their website http://www.camcoglobal.com/en/invsannouncements.html. Opportunity Cost 1. The proponent presented financial estimates within the Afognak Carbon Model that provide analyses regarding the financial returns of the baseline and with-project scenario.

	2. The proponent modified the entries for Items g) and h). It changed the risk score of both of these items to "0" because it cannot claim Items g), h), and i) as per the rules set within the Risk Tool. Item i) remained unchanged and is being claimed and has an associated risk score of -8. <u>Project Longevity</u> 1. Item b). The proponent has not changed its project longevity, which is 30 years. The proponent has utilized Item b) because it has a Federal Conservation Easement over the property. The score of "15" has not changed from the previous component. However, the proponent has overrided this score with a score of "0" and has referenced the allowance within section 2.2.4 Item 5 of the VCS Non-Permanence Risk Report. Land and Resource Tenure 1. The proponent updated its comments related to Items a) and b), has clearly selected Item b), and has attributed a risk score of "2" to this item. 2. The proponent has updated its comments related to Items c) and d), and has included comments that related to both items. It has clearly assigned a risk score of "0" because it has assessed that neither Item is applicable. Political Risk 1. <u>The proponent updated this table to indicate that the WGI scores from 2006-2010 have been used. It also updated its description to indicate Item e) was chosen.</u> <u>Pests and Disease</u> 1. The proponent updated its explanation regarding this Item. It identified several potential pests such as the Spruce bark beetle among others, and supported their existence with references (i.e. Burns 1990). In light of these potential pest risks the proponent presents information that suggests that this risk is relatively low due to the lack of impacts visible on the stands in the project area. As a result it listed a likelihood of 50-100 years with "major" significance and indicated that the modelling results suggest a stand mortality that matches that observed in the field. The proponent has not applied a mitigation score to be conservative.
Findings for Evaluation of Evidence:	<u>Project Management.</u> 1. The additional description provided in the Risk Report clearly identifies the management team. All parties identified are recognized as reputable and experienced professionals with sufficient relevant experience relative to the demands of the project. The individuals involved in the day-to-day activities from 3GreenTree and Camco Global were met with directly during the field audit and demonstrated sufficient competency in their respective roles, including monitoring, modelling ecosystem dynamics, forest and project management. This aspect of the NCR is therefore considered CLOSED. 2. The proponent clearly identified the location where the project manager is located, and it is within a day's travel of the project area. This aspect of the NCR is considered CLOSED. 3. The firms and the individuals involved in the project demonstrated an extensive suite of successful AFOLU projects including methodology development of VCS VM0012, the Dark Woods VCS-validated project, and project management. This aspect of the NCR is considered CLOSED <u>Financial Viability</u> 1. The financial viability assessment demonstrated in the Afognak Carbon Model contains justifiable, transparent, and appropriate assumptions regarding the analysis' key variables. When considered in tandem with the information presented in the two commentaries listed below, the project has been adequately demonstrated to break even in less than four years. Therefore the selection of Item d) and associated risk score of "0" is justified. This aspect of the NCR is considered CLOSED.

	2. Camco's financial information is available up through April 2012. The information suggests that Camco has sufficient funds to cover the operating costs of the project. This information supports the selection of Item h) with a risk rating of "0", as well as Item i), which a risk rating of -2. The total Financial Viability score is correct. This aspect of the NCR is therefore considered CLOSED. Opportunity Cost 1. The NPV values generated by the with and without project scenario NPV analyses are justified by transparent and reasonable assumptions. Their result leads to the conclusion that the without project scenario is more profitable than the with-project scenario. Because the proponent is eligible for, claims mitigation credit h) (see below), the results of this NPV analysis are immaterial and lead to an overall OC score of 0. This aspect of the NCR is CLOSED. 2. The proponent is no longer claiming item's g) and h) and has made their scores "0". It is still claiming Item h) and has left this score as -8. The audit team has reviewed the conservation easements already and this score is appropriate. Since the total Opportunity Cost Score cannot be negative the proponent has correctly determined the total table risk score to be "0". This aspect of the NCR is therefore considered CLOSED. <u>Project Longevity</u> 1. Since the proponent has a federal conservation easement on the project area the proponent is allowed to override the score in Item b), with "0" according to section 2.2.4 Item 5 of the VCS Non-Permanence Risk Report. This score is in conformance with the methodology, therefore this aspect of the NCR is considered CLOSED. Land and Resource Tenure 1. The proponent clearly explains that it has selected Item b) because the government owns the surface rights to the project area, while the proponents have established right of use. This justifies the selection of Item b) and the risk score of "2" is correct. Therefore this aspect of the NCR is considered CLOSED. 2. The proponent summarizes the transaction history of the project area, which involves title transactions between the federal government, Native Corporations, and the project proponents, which have undergone the scrutiny required for these purchases. Therefore the proponent claims that neither Item c) nor Item d) are applicable because these transactions have not revealed any disputes, and that there are no disputes to resolve. In addition, the on-site field visit by the audit team did not reveal any land disputes. Therefore the risk score of "0" is appropriate for Item c) and d). This aspect of the NCR is considered CLOSED. <u>Political Risk</u> 1. The proponent corrected a typographical error and provided the underlying calculation in the document "Afognak – US WGI Governance Indix.xls". A score of 1.25 was calculated so the client has clearly mentioned that it elected item e) and has assigned a risk score of "0", This assessment is correct so therefore this aspect of the NCR is considered CLOSED. <u>Pests and Disease</u> 1. The proponent suitably identified and documented the threats posed by various plausible pests to Sitka Spruce. The proponent makes the observation that the current stands do not exhibit substantial signs of damage from these pests, which is a strong observation supported by the audit team. Therefore the proponent adequately identified, categorized and justified the risk posed by pests. The score of "1" is appropriate, therefore this aspect of the NCR is considered CLOSED
NCR Status:	**CLOSED**

Comments (optional):	

2.3 Observations

Note: Observations are issued for areas that the auditor sees the potential for improvement in implementing standard requirements or in the quality system; observations may lead to direct non-conformances if not addressed. Unlike NCRs, observations are not formally closed. Findings from the field audit related to observations are discussed in Appendix A below.

OBS 01/12	Reference Standard & Requirement: VCS Standard v3 Section 3.16
Description of findings leading to observation: Pg 48 of the PD describes the methods used to create the inventory. The proponent states that it created a geo-located system of plots that were randomly derived from a series of 150 random plot locations that were generated from GIS tools. 22 variable circular plots were sampled with the goal of achieving 10% uncertainty and 90% confidence interval. Consultations with the proponent determined that the 150 plot locations were subject to certain constraints (50m from edges and 100m apart), which in fact represent a systematic random sampling design as opposed to a truly random sampling design. Although the sampling design appears to be adequate, the proponent has not identified these constraints to the sampling design in either the PD or in "**Method for selecting monitoring plots.docx**" and should do so in order to clarify the exact type sampling design used to assess carbon stocks	
Observation: The proponent should identify the considerations used to determine the layout of the sampling design.	

OBS 02/12	Reference Standard & Requirement: VCS Standard v3 Section 3.16
Description of findings leading to observation: The initial sampling intensity (22 plots) for the inventory has not been explained, however a review of "Afognak plot data & UF Jan. 2012.xls" and accompanying statistics found that the variability in carbon density between plots was fairly low and supported the characterization of the project area as a mostly homogenous forest in terms of species composition and structure. These characteristics were also verified by the audit team on-site and the visit indicated a high level of species and structural uniformity throughout the project area and signals that a modest sampling intensity may be sufficient to obtain accurate estimates of biomass.	
Observation: The proponent should describe the rationale for the selected sampling intensity employed.	

OBS 03/12	Reference Standard & Requirement: VCS Standard v3 Section 3.16
Description of findings leading to observation: The proponent has applied a correction factor of 4% to make the model's output more conservative and in line with field observations. This is described under the discussion for ex-post carbon onsite carbon stocks (pg 71 of the PD). However this correction factor is applied to ex-ante calculations and is not referred to in the description of ex-ante calculations	
Observation: The proponent should ensure that the explanation for the correction factor of 4% is referenced in all sections of the PD where it is relevant.	

OBS 04/12	Reference Standard & Requirement: VSC Standard v3. 3.19.2 and report section 9.1
Description of findings leading to observation: The PD (section 6) describes the extent of stakeholder engagement that has taken place during the years up to the purchases of land and timber rights of the project area. The primary topic of all stakeholder engagement thus far has centered around the land acquisition and project scenario property management activities, and they have not explicitly held stakeholder discussions regarding the carbon project. Outcomes summarized are limited to showing positive support for conservation of the parcels of land.	
Observation: A more detailed summary of both positive and negative feedback and outcomes from stakeholder consultations conducted could be provided, and stakeholder consultations fully discussing/disclosing the carbon aspect of the project should take place. Outcomes should be summarized and documented in the PD.	

OBS 05/12	Reference Standard & Requirement: VCS AFOLU Non-Permanence Risk Tool Section 2.1.1
Description of findings leading to observation: Some observations were noted within the risk report pertaining to the clarity of the risk scores. The sections where these occur are noted below and should be addressed. Please refer to the findings described in table 10.2 of this report for further details. 1. Financial Viability 2. Opportunity Cost 3. Political Risk	
Observation: The proponent should correct several issues pertaining to the clarity of the risk report, please refer to table 10.2 for specific findings.	

OBS 06/12	Reference Standard & Requirement: VCS Standard V3 2.4.1
Description of findings leading to observation: The Implementation status section of the monitoring plan (Section 2.1) discusses how the forest inventory was updated to remove a road that was not identified in the initial carbon inventory and has resulted in a reduction of total emission offsets claimed by the project. However, the audit team confirmed onsite that the road was removed in both the baseline and project scenarios ex-ante and ex-post calculations that are presented in the PD and the monitoring plan. Therefore, there are not any ex-post inventory updates.	
Observation: This monitoring plan should be revised to clarify that the update to the forest inventory (to account for a road discovered when onsite) was reflected in both ex-ante and ex-post calculations and as such, does not affect total emissions claimed by the project in the PD.	

OBS 07/12	Reference Standard & Requirement: VCS Standard V3 2.4.1
Description of findings leading to observation: Proponent indicated via correspondence that the 10.5% retention rate that was calculated in Appendix 4 was partially achieved through GIS analysis of files provided by Claire Doig of Forest and Land Management. This point was not clear in the PD text appendix 4, but the harvest scenario maps generated by the proponent for the Shuyak and Uganik parcels match those in the timber harvest appraisal, which suggests that this in exchange of information did occur.	
Observation: The proponent should revise the PD to clarify how the proponent's proposed harvest maps were created.	

Actions taken by the Project Proponent address NCRs (including any resolution of material discrepancy)

Action Taken by Project Proponent following the issuance of the Draft Report		**Date**
Additional documents submitted to audit team (additional documents listed below)	☒ Yes ☐ No ☐N/A	April 25, 2012-May 3, 16, 18, 21, 22, 2012
Additional stakeholder consultation conducted (evidence described below)	☒ Yes ☐ No ☐ N/A	April 30 to May 12, 2012
Additional clarification provided	☒ Yes ☐ No ☐ N/A	May 3, 4, 8, 11, 18, 21, 2012
Documents revised (document revision description noted below)	☒ Yes ☐ No ☐ N/A	April 25, 2012, May 16, 2012 May 18, 2012
GHG calculation revised (evidence described below)	☒ Yes ☐ No ☐N/A	April 25, 2012

Included in the actions taken by the Project Proponent to address NCRs was the submission of the following revised files:

Ref	**Title, Author(s), Version, Date**	**Electronic Filename**
1a.	Afognak - VCS Project Design Document - 2012 v2.4 Final, 3GreenTree Ecosystem Services	Afognak - VCS Project Design Document - 2012 v2.4 Final.pdf

	Ltd./Camco Global, April 24, 2012	
2a.	Afognak Carbon Model v2.1, 3GreenTree Ecosystem Services Ltd, April 24, 2012	Afognak Carbon Model v2.1.xls
3a.	Afognak LST April 20, 2012, 3GreenTree Ecosystem Services Ltd	Afognak LST April 20, 2012.xls
4a.	Sitka Spruce Dataset Afognak v1.1, 3GreenTree Ecosystem Services Ltd	Sitka Spruce Dataset Afognak v1.1.xls
5a.	Ss SI 20 data from TIPSY with Standish equations v1.1, 3GreenTree Ecosystem Services Ltd	Ss SI 20 data from TIPSY with Standish equations v1.1.xls
6a.	Afognak Carbon Model v3.2-Monitoring 2006-2011, 3GreenTree Ecosystem Services Ltd, April 24, 2012	Afognak Carbon Model v3.2- Monitoring 2006-2011.xls
7a.	Afognak Monitoring Report 2006-2011 v1.2 Final, 3GreenTree Ecosystem Services Ltd, April 24, 2012	Afognak Monitoring Report 2006-2011 v1.2 Final.pdf
8a.	Mission Without a Map, Hunt, 2010	AFOLU Risk Tool Consultation 2011.pdf
9a.	Exxon Valdez Oil Spill Restoration Habitat Protection and Acquisition Atlas, Department of Natural Resources, March 1999	EVOS_atlas_web.pdf
10a.	National Bald Eagle Management Guidelines, U.S. Fish and Wildlife Service, May 2007	F&W Service 2007. NationalBaldEagleManagementGuidelines.pdf
11a.	Governor vetoes Afognak land purchase Posted: Friday, June 13, 2003	http://peninsulaclarion.com/stories/061303/ala_061303akpm004001.shtml
12a.	Existing Riparian Management Zone (RMZ) Regulations Throughout Alaska U.S. Corps of Engineers, Nationwide Permits, SPN-2002-02 (January 15, 2002)	US Corp. Eng, 2002. 3_existing_rmz_regulations.pdf
13a.	Timber Appraisal Shuyak, Inc. Property at Waterfall Lake North Afognak Island Kodiak Island Borough, Fish and Wildlife, 2007	TimberAppraisalShuyakFinal.pdf
14a.	Timber Appraisal Afognak Joint Venture (Uganik Natives, Inc.) Property at Waterfall Lake North Afognak Island Kodiak Island Borough, Fish and Wildlife, 2007	TimberAppraisalUganikFinal.pdf
15a.	Afognak Parcel Pricing Email, May 15, 2012	ADNR note forward again.htm
16a.	Afognak Common Practice Analysis Email, May 16, 2012	Afognak – Additional Evidence – Email confirmation T.R. on common practice analysis.docx
17a.	Afognak PD V2.5 – tracked changes, May 15, 2012	Afognak – VCS Project Design Document – 2012 v2.5 track changes.docx
18a.	Afognak PD V2.5, May 15, 2012	Afognak – VCS Project Design Document – 2012v2.5.pdf

19a.	Afognak Application for Federal Assistance Grant Letter, December 3, 2004	Ajvgrant.pdf
20a.	Afognak – AJV RMEF/ALC Settlement Statements, December 14, 2005	AJV-RMEF-ALC_signed Settlement Statements.pdf
21a.	Afognak Expenses Email, May 15, 2012	ALCRMEF Expenses.htm
22a.	Afognak Grant Agreement Addendum Letter, March 3, 2005	Paul Allen addendum letter 3-3-2005.pdf
23a.	Afognak Grant Award Letter, September 12, 2002	Paul Allen Grant Agreement 9-12-2002.pdf
24a.	Afognak Grant Final Report, May 8, 2006	Paul Allen Grant Final Report 5-8-2006.pdf
25a.	Afognak Funding Email II, May 15, 2012	RE Verification of Afognak forest legacy please II.htm
26a.	Afognak Funding Email, May 15, 2012	Re Verification of Afognak forest legacy please.htm
27a.	Afognak Shuyak Resolution Document Parcels 2A & 2B, September 29, 2008	Reso 8-16 Shuyak signed.pdf
28a.	Afognak Uganik Resolution Document, Parcels 3A & 3B, September 29, 2008	Reso 8-17 Uganik signed.pdf
29a.	Afognak Shuyak Settlement Statement	SettlementStatements_Shuyak.pdf
30a.	Afognak Uganik Settlement Statement	SettlementStatement_Uganik.pdf
31a.	Afognak Forest Legacy Email, May 15, 2012	States can use Forest Legacy due diligence.htm
32a.	Afognak Financial Transaction Summary, May 16, 2012	Summary of Financial Transactions for Afognak.docx
33a.	Afognak PD, Version 2.6, May 17, 2012	Afognak – VCS Project Design Document – 2012 v2.6.pdf
34a.	Afognak PD, Version 2.6 – track changes	Afognak – VCS Project Design Document – 2012 v2.6 – track changes.docx
35a.	2005 Purchase Contract between ALC/RMEF and AJV	Option Agmt pp 1-22.pdf
36a.	2005 Policy of Title Insurance issued by Stewart Title Guaranty Company	Title Policy 2005-12-19, O-1201-91032A.pdf
37.a	EVOS Acquisition Catalog	EVOS Acquisition Catalog.pdf

3 Audit Methodology

3.1 Audit Team

Overview of roles and responsibilities:

Auditor(s)	Responsibilities							
	Lead	Desk Review	On-site visit	Climate Specialist	Biodiversity Specialist	Social Specialist	Report	Senior Internal Review
Janice O'Brien	☒	☒	☒	☐	☐	☐	☒	☐
John Cathro	☐	☒	☒	☐	☒	☒	☒	☐

Ian Starr	☐	☒	☒	☒	☐	☐	☒	☐
Jeff Hayward	☐	☐	☐	☒	☐	☐	☐	☒

Auditor qualifications:

Auditor(s)	Qualifications
John Cathro	Registered Professional Forester, with 20 years experience in the forest sector with industry, government, communities and First Nations. John has worked within the third party certification framework for over 10 years developing standards, assisting companies in obtaining certification and conducting carbon verification/validation, forest management and chain of custody assessments and audits. John has successfully completed Rainforest Alliance training in carbon, chain of custody and forest management auditing as well as Lead Auditor ISO 14001 training. John has completed over 150 audits and assessments
Janice O'Brien	Janice has a Master's Degree in Forest Conservation from the University of Toronto and has been with Rainforest Alliance for 4 years. Janice acts as both the Canadian Verification and Chain of Custody Coordinator. She has task managed multiple Carbon methodology assessments, pre-validations, and validation projects in Canada, has completed a training program in GHG Accounting for Forests. She is also certified ISO 14001 lead auditor. She has participated in 3 Carbon Pre-Assessments, and 2 Carbon Validation Projects. She has coordinated approximately 800 Chain of Custody audits and assessments, conducted approximately 25 assessments/audits, and participated in 1 Forest Management Audit. Prior to joining Rainforest Alliance she worked in operational and financial risk management for 13 years.
Ian Starr	Ian is a consulting forester and resource manager with personal and professional experience in North America, Central and South America, and Africa. His principal interests lie in improving conservation and forest management practices in tropical forests. Most recently he has served as an auditor for forest carbon offset projects with the Rainforest Alliance. He has also collaborated on a variety of forestry and natural resource management projects in both Amazonia, and the temperate hardwood forests of the Northeastern United States. These projects have included modelling the carbon sequestration potential of various tropical agroforestry systems and designing and participating in several forest inventories in New England to plan timber sales based on natural regeneration. Ian received his Masters degree in Forestry from the Yale School of Forestry and Environmental Studies with a focus on tropical forest and resource management, and received his B.A. from Colgate University where he concentrated in Native American Studies. He is fluent in Spanish and Portuguese.

3.2 Description of the Audit Process

3.3

Location/Facility	Date(s)	Length of Audit	Auditor(s)
Afognak Island, Alaska Field	Oct 20-23, 2011	4 days onsite	John Cathro, Janice O'Brien
Hamilton, ON and Washington, DC pre-validation desk audit	February 7-13, 2012	2 days desk audit	Janice O'Brien, Ian Starr
Washington, DC Audit	March 6-8, 2012	3 days	Janice O'Brien, Ian Starr
Hamilton, ON and Washington, DC desk audit/report writing	March 19-28, 2012	4 days	Janice O'Brien, Ian Starr
Hamilton, ON, Washington, DC	April 30-May 4, 2012	1.5 days	Janice O'Brien, Ian Starr,

Kaslo, BC	April 30 to May 12, 2012	2 days	John Cathro

3.4 Review of Documents

The following documents were viewed as a part of the field audit:

Ref	Title, Author(s), Version, Date	Electronic Filename
1	3GreenTree - Base PSP Plot SOP 2011 v1.0, Oct 17, 2011	3GreenTree - Base PSP Plot SOP 2011 v1.0.docx
2	Afognak Spatial Data Summary, Oct 17, 2011	Afognak Spatial Data Summary.docx
3	Afognak Data from Timberland, Nov 9, 2011	Afognak Data from Timberland.zip
4	Afognak Carbon Project Ortho Map Nov 30, Brad Seely, Nov 30, 2011	Afognak.png
5	Self-Contained Appraisal Report, Uganik Natives Inc Property, 1,748.65 Acres of Vacant Land, Afognak Island, Alaska, MacSwain Associates LLP, June 6, 2008.	Hardcopy, summary pages in Uganik_Appraisal_07.pdf
6	Self-Contained Appraisal Report, Shuyiak Inc Property, 1,996.79 Acres of Vacant Land, Afognak Island, Alaska, MacSwain Associates LLP, July 19, 2007.	Hardcopy, summary pages in Shuyak_Appraisal_07.pdf
7	Method for selecting monitoring plots. Author unknown, version n/a, date unknown	Method for selecting monitoring plots.docx
8	Afognak Carbon Model v2.0. 3GreenTree. Version 3.1. Date n/a	Afognak Carbon Model v2.0.xlsx
9	Afognak Landscape Summary Tool. Brad Seeley, version n/a, Jan 23, 2012	Afognak LST Jan 23, 2012.xlsx
10	Afognak plot data & UF Jan. 2012. 3GreenTree. Version n/a. Jan. 2012	Afognak plot data & UF Jan. 2012.xlsx
11	Afognak Nov 29 Microsoft Access Database, author unknown	Afognak Nov 29.mdb
12	Sitka Spruce Dataset Afognak. Brad Seeley. Version n/a. Date n/a	Sitka Spruce Dataset Afognak.xlsx
13	Afognak Carbon Model v3.1 - Monitoring 2006-2011. 3GreenTree. Version 3.1. Date n/a	Afognak Carbon Model v3.1 - Monitoring 2006-2011.xlsx
14	Afognak Landscape Summary Tool. Brad Seeley, version n/a, Feb. 7 2012	Afognak LST Feb 7, 2012.xlsx
15	Afognak Forest Carbon Project Monitoring Report Monitoring Periods: 2006-2011, 3GreenTree Ecosystem Services Ltd. and Camco International Group, Inc., Feb 13, 2012.	Afognak Monitoring Report 2006-2011 v1.1.pdf
16	Afognak Oct 3 Microsoft Access Database, author unknown	Afognak Oct 3.mdb
17	Camco North America Backup Documentation, Chris Samarakkody, December 2011	Camco US Data Storage Policy.pdf
18	Resolution 02-02 of EVOS Trustee Council, author unknown, 12/02/01	Resolution 02-02 of EVOS Trustee Council.pdf
19	The Pinchot Letter Vol.10, No.2 Winter 2005, Pinchot Institute for Conservation, Winter 2005	The Pinchot Letter Vol.10, No.2 Winter 2005.pdf
20	Afognak Forest Carbon Project v2.3 (VCS Project Design Document), 3GreenTree Ecosystem Services Ltd./Camco Global, Jan 31, 2011	Afognak - VCS Project Design Document - 2012 v2 3.pdf
21	Approved VCS Methodology VM0012 Version 1.0 Sectoral Scope 14: Improved Forest Management on Privately Owned Properties in Temperate and Boreal Forests (LtPF), 3GreenTree Ecosystem Services Ltd, 2011	VM0012 IFM-LtPF on Privately Owned Temperate Boreal Forest v1.0.pdf

22	Measuring and Monitoring Plan for the Forests Around Perenosa Bay, Afognak Island, Alaska. Sandra Brown, Matt Delaney, David Shoch, John Kadyszewski (Winrock International), Dec 4, 2002	Winrock Afognak Measurement & Monitoring plan 12-04-02.doc
23	Afognak Deeds	Hardcopy

3.5 Interviews

The following is a list of the people interviewed as part of the audit. The interviewees included those people directly, and in some cases indirectly, involved and/or affected by the project activities.

Audit Date	Name	Title
Oct 20-24, 2011	Wiley Barbour	Vice President, Corporate Development, Camco
Oct 20-24, 2011 May 11, 2012	Mike Vitt	Owner, 3GreenTree Ecosystem Services Ltd.
Oct 20-24, 2011	Trevor Anderson	RPF, Timberland Consultants
March 6, 2012	Tim Richardson	Director, Governmental Affairs and Alaska Program, American Land Conservancy
March 5-7, 2012 May 11, 16, 2012	Charles Purshouse	Vice President - Carbon Services, Camco
April 30 to May 12, 2012	Claire Doig	President Forest & Land Management Inc.
April 30 to May 12, 2012	Howard Valley	Lands Manager, ANC

APPENDIX A: Validation Field Audit Findings

Note: Findings presented in this section are specific to the findings resulting from the field audit as presented in the Draft Audit Report. Any non-conformances or observations identified during the field audit are noted in this section, and specific NCR and OBS tables are included in section 2 of this report for each identified non-conformance and observations. All findings related to audit team review of additional evidence submitted by the Project Proponent following the issuance of the Draft Audit Report by Rainforest Alliance, is included within section 2 of this report.

1 Project Design

1.1 VCS Standard Section 3.19.1: Project description

The project shall include at a minimum all requirements outlined in section 3.19.2 of the VCS Standard. Additionally, section 3.19 of the VCS Standard notes that project and its context shall be described in the project description using the VCS Project Description template (or approved GHG program description template where the project is requesting registration under an approved GHG program).

Findings from Field Audit			
The PD (Section 1.1) includes a project description but the PD does not follow the VCS template in its entirety. For example, the VCS template section 1.7 requires the proponent "indicate the scale of the project (project or mega project) and the estimated annual GHG emission reductions or removals for the project crediting period" and section 1.12.1 of the template requires proof of title. However, this section of the PD does not include a table showing estimated annual GHG emission reductions/removals during the crediting period or proof of title. Section 1.7 does state further details and specifics of the project scenario ex-ante and ex-post data, assumptions and modeling are found in Section 4.2. Further details on the legal agreements relating to project scenario activities are found in Section 7. Furthermore the proponent states that in section 1.7 that "*The Afognak IFM-LtPF carbon project is projected to generate VCU's annually on a variable basis to a total of approximately 1.51 million tCO2e emissions reductions over the 30 year project crediting period."* This value does not correspond to what is indicated in the Afognak Carbon Model v2.0 as the total number of VCU's, which is a lower number. In addition issues were raised regarding the accuracy of VCU calculations. While the project does include the minimum requires outlined in the standard, it does not follow the VCS project description template in its entirety and provides an inaccurate description in section 1.7 of the PD. See **NCR 01/12.**			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 01/12**		

1.2 VCS AFOLU Requirements Section 4.2: Eligible AFOLU project type

The project is an eligible AFOLU project type, as per the guidance set out in the VCS AFOLU Requirements Section 4.2. Note project types can be combined as outlined in the AFOLU Requirements.

Findings from Field Audit			
The PD (section 1.2) states that project type is sector 14-AFOLU, IFM-LtPF. The project area is native old growth Sitka Spruce forests that have naturally established over the past 200-250 years. In the 80's, the lands were transferred to private ownership of the Alaskan Native Corporations, who managed the lands almost solely for timber production and typically clear cut to State Best Management Practices with natural regeneration and no additional silviculture activities. There is an existing road network and extensive logging across Afognak Island and adjacent to several parcels of land belonging to the project, evidenced by the audit team onsite. The project baseline selected was continuation of previous owner's practice whereby the forests would have been liquidation logged. This baseline selection was assessed and the project found to be additional (reference sections 3.1 and 3.2 of the report). As a result of the project, conservation easements have been implemented on all parcels of land (in perpetuity) that will protect the remaining unlogged forests that would otherwise be logged, thereby reducing GHG emissions as the biomass carbon stocks are now protected and can increase as the forest re-grows and/or continues to grow.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

1.3 VCS AFOLU Requirements Section 3.1.3: Identification of Project Proponent

Where an implementation partner is acting in partnership with the project proponent, the implementation partner shall be identified in the project description. The implementation partner shall identify its roles and responsibilities with respect to the

project, including but not limited to, implementation, management and monitoring of the project, over the project crediting period.

Findings from Field Audit			
Project proponents are listed within section 1.3 of the PD. These include the 2 project proponents, ALC/RMEF (American Land Conservancy & Rocky Mountain Elk Foundation), a project proponent representative (Camco Global) and the implementation partner (3GT Ecosystem Services). However, the roles and responsibilities of the project proponents, project proponent representative and implementation partner are not explicitly defined (i.e. implementation, management and monitoring of the project, over the project crediting period). See **NCR 02/12**.			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 02/12**		

1.4 VCS Standard Section 3.8.3 - 3.8.5 and VCS AFOLU Requirements Section 3.2.1: Project start date

Project shall include a project start date in conformance with section 3.8.3 – 3.8.5 of the VCS Standard, where specific requirements for AFOLU projects are outlined. As set out in the *VCS Standard*, the project start date of an AFOLU project shall be the date on which activities that lead to the generation of GHG emission reductions or removals are implemented. Such activities may include preparing land for seeding, planting, changing agricultural or forestry practices, or implementing management or protection plans.

Findings from Field Audit			
The project proponent states in the PD (Section 1.5) that the project start date(s) are the start of the calendar year closest to the initial acquisitions of the land parcels and sets this date as January 1, 2006. Some parcels of land were acquired in 2006 and others in 2009. Parcel acquisition dates were verified by reviewing the deeds. As such, the project start date is in conformance as the project activities (the acquisition of the lands and the securing of carbon rights) that lead to the generation of GHG emission reductions or removals began to be implemented in 2006.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS			

1.5 VCS Standard Section 3.9 and VCS AFOLU Requirements Section 3.3: Project crediting period

Project shall include a project crediting period in conformance with section 3.9 of the VCS Standard. In general, for all AFOLU projects (ALM projects are an exception to this requirement) a crediting period of 20-100 years shall be used. The earliest project crediting period start date for AFOLU projects shall be 1 January 2002. Renewal of project crediting period shall follow requirements outlined in section 3.9.5 of the VCS Standard.

The project crediting period rules are set out in the *VCS Standard*. Projects shall have a credible and robust plan for managing and implementing the project over the project crediting period. For ARR or IFM extension of rotation age or low-productive to high-productive projects with harvesting, the length of the project crediting period shall be set to include at least one complete harvest/cutting cycle. In the case of selectively cut IFM projects, where trees are individually selected for harvest, the harvest/cutting cycle is the allowable re-entry period into the harvest area as determined by legal and regulatory requirements, and common practice.

Findings from Field Audit			
The PD defines the project crediting period as 30 years, with a crediting period start date of January 1, 2006 (and first credit issuance Dec 31, 2008). The crediting start date is acceptable. However, given that some parcels of land were not acquired until 2009, the project proponent is required to demonstrate clearly that they are not receiving credits for lands they did not own in 2006 and/or claiming growth on project areas they did not own in 2008. See **NCR 12/12.**			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	**NCR 12/12**		

1.6 VCS Standard Section 3.11 and VCS AFOLU Requirements Section 3.4: Project location

Project location shall follow requirements outlined in section 3.11 of the VCS Standard and 3.4 of the VCS AFOLU Requirements. Project location for AFOLU projects shall be specified using geodetic polygons to delineate the geographic area of each AFOLU project activity and provided in a KML file.

Findings from Field Audit
The name of the project area is the “Afognak Island Forest Carbon Project”. The project consists of multiple parcels of land on Afognak Island, totaling 3,326.5 ha (PD section 1.1). While compartment and allotment numbers are not defined in the PD, the local names are included in Figure 2, and plats (legally valid documents) for each parcel are were reviewed by the audit team to confirm the project parcels are one and the same as

those in the plats. Project boundaries are surveyed and staked as show on the plats by parcel. Maps of the project area are included in PD section 1.8 (Figure 1 and Figure 2). Figure 2 shows the project boundary overlaid on orthophotos taken in 2006. The geographic coordinates of the project boundary and the project location have been specified using geodetic polygons to delineate the geographic area of each AFOLU project activity using mdb files. At the time of the initial field audit to the project location, the team was provided with very basic maps of the area as outlined in "Afognak Spatial Data Summary" (document #2). However, the audit team visited the project and did verify project boundaries during a fly over of the area, and by locating a legal property marker on one of the actual project boundaries. The pilot of the beaver aircraft was provided with UTM grid coordinates and a map of the project area and asked to fly along the south boundary of the Uganik (3a) parcel and the west boundary of the Shuyak (2a) parcel. Geographic features such as lakes, rivers and hills as well as manmade features such as roads and cutblocks all appeared to be consistent between what was mapped and what was on the ground. The south west corner marker of the Shuyak parcel (2b) was located in the field, photographed and GPS surveyed. This corner marker included bearing markers on trees in the field. Upon development of full maps viewed during the office audit in March 2012, the auditors were able to confirm that the revised maps provided clearly demonstrate the spatial extent of the project in a way that could facilitate accurate monitoring, reporting and verification of GHG emission reductions and removals. However, project location specified using geodetic polygons to delineate the geographic area of the project activity have not been provided in a KML file. See **NCR 03/12.**

Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 03/12**		

1.7 VCS AFOLU Requirements Section 3.1.2: Compliance with applicable laws and regulations

Implementation of the project activities shall not lead to the violation of any applicable law, regardless of whether or not the law is enforced.

Findings from Field Audit			
As noted in the PD (Section 1.10), the project area is managed by the State of Alaska Department of Natural Resources with an accompanying U.S. Federal Conservation Easement, which inherently implies compliance with legal requirements of these authorities. The most relevant laws and regulations that might apply in either baseline or project scenario are listed within the PD section 1.10. Copies of deeds that demonstrate the land is owned by the State of Alaska were reviewed by the audit team.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

1.8 VCS Standard Section 3.12.1: Right of use

Project description shall be accompanied by right of use as outlined in section 3.12.1 of the VCS Standard.

Findings from Field Audit
Right of Use" as defined by the latest version of the VCS Standard as… *"In respect of a GHG emission reduction or removal, the unconditional, undisputed and unencumbered ability to claim that the relevant project will or did generate or cause such reduction or removal".* The project proponent outlines the history of the land ownership for each parcel in PD Section 7. On each parcel, and as a result of the efforts of RMEF/ALC, the land surface and/or timber harvest rights have ultimately been transferred to the State of Alaska, each parcel has been place under a federal conservation easement (for conservation and wildlife protection purposes) in perpetuity. As a result of the transactional history, the US Bureau of Land Management is the conservation easement holder, the State of Alaska Department of Natural Resources is the owner of the timber and/or surface estates, and RMEF/ALC reserved the carbon credit rights associated with the preservation in perpetuity of the forested lands from commercial timber harvesting. The PD also notes that the deed transfers and transactional history resulted in an "enforceable and irrevocable agreement" with the State of Alaska and the Federal Government in the "land, vegetation or conservational or management process that generates GHG emission reductions or removals which vests the right of use in the project proponent, demonstrating proof of title of the following *rights of use* have been accorded to the project proponent according to VCS 3.12.1 clause 4 and clause 6 which require: 3.12.1:

4) A right of use arising by virtue of a statutory, property or contractual right in the land, vegetation or conservational or management process that generates GHG emission reductions and/or removals (where such right includes the right of use of such reductions or removals and the project proponent has not been divested of such right of use). 6) An enforceable and irrevocable agreement with the holder of the statutory, property or contractual right in the land, vegetation or conservational or management process that generates GHG emission reductions or removals which vests the right of use in the project proponent. The project proponent then provides a table which summarizes the tests for Proof of Title and Right of Use for the project and states how the project satisfies the VCS 3.1.2 and VM00012 requirements that it be enforceable, irrevocable, unconditional, undisputed and unencumbered. Copies of all legal documentation associated with the acquisitions of all parcels ("**Afognak Deeds**", and plats) were submitted and reviewed by the audit team and confirm the transactional history is accurate and that the project proponent reserved the carbon credit rights associated with the preservation in perpetuity of the forested lands from commercial timber harvesting.

Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

1.9 VCS Standard Sections 3.12.2 – 3.12.10 and VCS AFOLU Requirements Section 3.5: Linkage to other GHG programs and trading schemes

For those projects previously or currently involved in other GHG program or emission trading schemes, the project shall document how it meets the requirements of the VCS Standard Sections 3.12.2 thru 3.12.10 and VCS AFOLU Requirements Section 3.5.

Findings from Field Audit			
The PD (section 1.11) states the project does not participate in any other GHG programs. The audit team verified the project is not registered with the Climate Action Reserve (CAR), Climate Community and Biodiversity (CCB), or American Carbon Registry (ACR) by reviewing projects registered on their websites.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

1.10 VCS AFOLU Requirements Sections 3.1.6 and 3.1.10: Project activities on peatlands

Where ARR, ALM, IFM or REDD project activities take place on peatland, the project shall adhere to both the respective project category requirements and the PRC requirements, unless the expected emissions from the soil organic carbon pool or change in the soil organic carbon pool in the project scenario is deemed below *de minimis* as set out in Section 4.3.3, in which case the project shall not be subject to the PRC requirements.

Findings from Field Audit			
The project area consists of native, old growth Sitka spruce forests that have naturally established over the past 200-250 years. While there are small wetlands scattered throughout as observed onsite by the audit team, the project area itself does not have managed peatlands (PD Section 2.2). Further, as an IFM-LtPF project, expected emissions from the soil organic carbon pool is deemed below *de minimis* (PD Section 2.3) and so the project shall not be subject to the PRC requirements.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	None		

1.11 VCS Standard Section 3.2 and VCS AFOLU Requirements Section 3.1.7: Multiple project activities

Projects may include multiple project activities where the methodology applied to the project allows more than one project activity and/or where projects apply more than one methodology. Such projects shall comply with the respective project requirements of each included AFOLU category. For example, projects that combine agroforestry or enrichment planting with community forestry in a single project where farmers integrate these activities within a single landscape shall follow an ARR methodology for planting activities and an IFM methodology for community forestry activities (except where the activities have been combined in a single methodology). For each activity covered by a different methodology, the geographic extent of the area to which the methodology is applied shall be clearly delineated. Where more than one methodology has been applied to a project with multiple project activities, the requirements outlined in Section 3.2 of the VCS Standard must be met.

Findings from Field Audit
The PD (Section 1.2) defines the project as AFOLU (Sector 14) Improved Forest Management (IFM), Logged to Protected Forest (LtPF) only. There are not multiple project activities. This was confirmed in discussion during the onsite audit.

Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	None		

1.12 VCS Standard Section 3.4 and VCS AFOLU Requirements Section 3.7: Grouped projects

Grouped projects are projects structured to allow the expansion of a project activity subsequent to project validation. Validation is based upon the initial project activity instances identified in the project description. The project description sets out the geographic areas within which new project activity instances may be developed and the eligibility criteria for their inclusion. New instances meeting these pre-established criteria may then be added to the project subsequent to project validation, as set out in the sections below. Section 3.4 of the VCS standard provides the requirements for all grouped projects, which are further expanded upon in VCS document AFOLU Requirements Section 3.8.

Findings from Field Audit			
The PD does not describe the project as grouped, or include any reference to become grouped in future. During the field audit, the audit team verbally confirmed the project is not a group project.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	None		

1.13 VCS Standard Section 3.19.3: Commercially sensitive information

All information in the project documents shall be presumed to be available for public review, though commercially sensitive information may be protected, as set out in VCS document *Registration and Issuance Process*, where it can be demonstrated that such information is commercially sensitive. The validation/verification body shall check that any information designated by the project proponent as commercially sensitive meets the VCS Program definition of commercially sensitive information. Information in the project documents related to the determination of the baseline scenario, demonstration of additionality, and estimation and monitoring of GHG emission reductions and removals shall not be considered to be commercially sensitive and shall be provided in the public versions of the project documents.

Findings from Field Audit			
During the audit, the project proponents confirmed that all information in the project documents is available for public review and no contents/documentation has been deemed as commercially sensitive.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2 Application of Methodology

2.1 VCS Standard Section 3.1: Use of approved methodology

Projects shall apply methodologies eligible under the VCS Program. Methodologies shall be applied in full, including the full application of any tools or modules referred to by a methodology.

Findings from Field Audit			
The project is using the VCS VM0012 Improved Forest Management on Privately Owned Property in Temperate and Boreal Forests (LtPF) v.1.0. The project states the methodology has been updated by the methodology developer (update to an applicability condition making the project applicable on public lands). However, the approved updated methodology is not yet available on the VCS website. See **NCR 04/12**.			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 04/12**		

2.2 VCS Standard Section 3.5: Methodology deviations

Deviations from the methodology applied to the project are permitted where they represent a deviation from the criteria and procedures relating to monitoring or measurement (but not quantification) of GHG emission reductions or removals set out in the methodology. Deviations relating to any other part of the methodology shall not be permitted. Methodology deviations shall not negatively impact the conservativeness of the quantification of GHG emissions reductions or removals.

Methodology deviations shall be permitted at validation or verification and their consequences shall be reported in the validation or verification report, as applicable and all subsequent verification reports. Methodology deviations are not considered to be precedent setting.

Findings from Field Audit
The PD (Section 2.6) states there were no deviations from the methodology. None have been found during the audit. See also associated findings under section 2.1 of this report and NCR 04/12.

Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2.3 Conformance with methodology applicability conditions

The project shall demonstrate conformance with all methodology applicability conditions. A project cannot use a methodology unless it meets all applicability conditions. Any change in applicability conditions is considered a Methodology Revision and must be submitted for double approval under the VCS Methodology Approval Process.

Findings from Field Audit: The project states (PD Section 2.2) that it meets all applicability conditions. However, the project is not in conformance with the existing methodology's applicability requirement that the project be on privately owned properties. See **NCR 04/12.** The project has not provided evidence to support that no activity shifting leakage occurs to other proponent lands at the start of the project. See **NCR 15/12.**

Applicability Condition	Finding
Meets either current VCS IFM-LtPF criteria	The PD claims Afognak meets both criteria: a) Protecting currently logged or degraded forests from further logging and; b) Protecting unlogged forest that would otherwise be logged. The project baseline selected was continuation of previous owner's practice whereby the forests would have been liquidation logged. This baseline selection was assessed and the project found to be additional (reference sections 3.1 and 3.2 of the report). As a result of the project, conservation easements implemented on all parcels of land (in perpetuity) will be able to protect the remaining unlogged forests that would otherwise be logged, thereby reducing GHG emissions as the biomass carbon stocks are now protected and can increase as the forest re-grows and/or continues to grow.
Projects located in FAO Temperate and Boreal Ecological Zones; and have Tier III inventory data available.	Afognak is located in the Temperate Ecological Zone. Afognak utilizes detailed site level inventory meeting Tier III criteria.
Projects on fee simple or freehold private ownership properties where the project proponent has clear legal representation of estate title rights without legal title encumbrances that prevent the project from proceeding1. Term leases, concessions, or equivalent; public ownership lands; and unknown or legally disputed ownerships are excluded	The methodology is currently undergoing an update to change this applicability condition. The Afognak project has demonstrated right of title and right of use for all criteria required by VCS Version 3.0 (see report section 1.8) however, this updated methodology is not yet approved on the VCS website and so at present, the project is not in conformance with the existing methodology's applicability requirement that the project be on privately owned properties. See **NCR 04/12**
Projects with starting avg. annual illegal, unplanned, and fuelwood removals are <5% of annual harvest (tCO2e);	Afognak has no illegal or unplanned harvesting, and *de minimis* fuelwood removals.
Projects without managed peatland forests	Afognak does not contain managed peatland forests.
Projects where % wetlands are not expected to change as part of project activities	Afognak will not materially alter the % of wetlands on the project area.
Projects that can demonstrate that no activity shifting leakage occurs to other proponent lands at the start of the project.	The ALC/RMEF and/or Camco do not undertake commercial timber harvesting on lands owned or managed by them, and can demonstrate baseline activities are not being shifted to other conservation land holdings. Both organizations are well known, established organizations with conservation oriented missions. However, evidence has not been provided to support the claim that they do not undertake harvesting on other lands

	they own and that no activity shifting leakage will take place. See **NCR 15/12.**		
Projects that do not include non-de *minimis* application of organic or inorganic fertilizer in the project scenario.	Afognak does not include any application of fertilizer either the baseline nor project scenario.		
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 04/12**, **NCR 15/12**		

2.4 VCS Standard Section 3.13: Project boundary

The project boundary shall be described (using diagrams, as required) and GHG sources, sinks and reservoirs shall be identified and assessed in accordance with the methodology applied to the project. The project shall justify not selecting any relevant GHG source, sink and reservoirs.

Findings from Field Audit			
The project spatial boundary is the project area (legal land description) as described in PD Section 7 and as reviewed in plats and onsite. Project location was verified as described in report section 1.6 and rights of use were verified as described in report section 1.8. Temporal project boundaries are specified by the crediting period, which is in conformance as described in report section 1.5. As permitted under VM0012 leakage uses the Climate Action Reserve (CAR) market leakage formula which reflects a North American context and so meets the methodology requirement that leakage be assessed against a national leakage area. PD Section 2.3 describes all carbon pools included (Table 2) including whether the pool is a source or sink. Pools included are above ground tree biomass (live), below ground biomass pool (live and dead), dead wood pool, and wood products pool. Those excluded are not required by VCS or the methodology (above ground non-tree biomass, litter pool and soil carbon pool). Emission sources included and excluded in the project are listed in Section 2.3, Table 3 which includes a justification for exclusion. Excluded are the use of fertilizers and burning of biomass (on slash site) and CH4 and N2O from Combustion of Fossil Fuels by Vehicles/Equipment. C02 from Combustion of Fossil Fuels by Vehicles/Equipment is included. The sources, sinks and reservoirs are identified and assessed in accordance with VM0012 methodology (section 5.4).			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2.5 VCS AFOLU Requirements Section 4.3.1 and VCS AFOLU Requirements Sections 4.3.5 – 4.3.24 (Project type specific carbon pools): Relevant carbon pools

The relevant carbon pools for AFOLU project categories are aboveground tree biomass (or aboveground woody biomass in ARR and ALM projects), aboveground non-tree biomass (aboveground non-woody biomass in ARR and ALM projects), belowground biomass, litter, dead wood, soil (including peat) and wood products. Methodologies shall include the relevant carbon pools set out in Table 2 of Section 4.3.1 of the VCS AFOLU Requirements.

Specific carbon pools and GHG sources, including carbon pools and GHG sources that cause project and leakage emissions, may be deemed *de minimis* and do not have to be accounted for if together the omitted decrease in carbon stocks (in carbon pools) or increase in GHG emissions (from GHG sources) amounts to less than five percent of the total GHG benefit generated by the project. Additional information on *de minimis* carbon pools is available in section 4.3.3 of the AFOLU Requirements.

The VCS AFOLU Requirements contain project type specific requirements for all AFOLU project types, the following criteria shall be met for each project type:

- ARR: VCS AFOLU Requirement 4.3.7
- ALM: VCS AFOLU Requirements 4.3.8 – 4.3.11
- IFM: VCS AFOLU Requirements 4.3.12 – 4.3.15
- REDD: VCS AFOLU Requirements 4.3.16 – 4.3.17
- ACoGS: VCS AFOLU Requirements 4.3.18 – 4.3.21
- PRC: VCS AFOLU Requirements 4.3.22 – 4.3.24

Findings from Field Audit

PD Section 2.3 describes all carbon pools included as above ground tree biomass (live), below ground biomass pool (live and dead), dead wood pool, and wood products pool. This meets the VCS AFOLU requirements 4.3.12-4.3.15 which is also summarized in VCS AFOLU Requirements Section 4.3.1 (Table 2). A review of all carbon pools included in the project onsite and in all calculations reviewed confirmed that those identified in the PD are the only pools included in the project.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2.6 VCS AFOLU Requirements Section 4.3.5 and 4.3.6: Non-CO_2 GHGs

Reductions of N_2O and/or CH_4 emissions are eligible for crediting if in the baseline scenario the project area would have been subject to livestock grazing, rice cultivation, burning and/or nitrogen fertilization. Reductions of CH_4 emissions are eligible for crediting if fire would have been used to clear the land in the baseline scenario.

Findings from Field Audit			
The history of the area is described in the PD section 1.9. Afognak Island consists of native old growth Sitka Spruce forests that have naturally established over the past 200-250 years. This was evidenced onsite during the field audit. The project area would have not have been subject to livestock grazing, rice cultivation, burning and/or nitrogen fertilization, and fire would not have been used to clear the land in the baseline scenario.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	None		

3 Additionality and baseline selection

3.1 VCS AFOLU Requirements Section 4.5 and VCS Standard Section 3.14: Baseline scenario selection

The baseline scenario for the project shall be determined in accordance with the requirements set out in the methodology applied to the project, and the choice of baseline scenario shall be justified. Equivalence in type and level of activity of products or services provided by the project and the baseline scenario shall be demonstrated and, where appropriate, any significant differences between the project and the baseline scenario shall be explained. In developing the baseline scenario, assumptions, values and procedures shall be selected that help ensure that net GHG emission reductions and removals are not overestimated.

Findings from Field Audit	
Baseline Determination Step	**Findings**
STEP 1 – Identify Plausible Alternative Baseline Scenarios to the VCS Project Activity	The proponent has identified five plausible scenarios in section 2.4 of the PD, which include: Scenario 1. Historical practice – management of the current owners Scenario 2. Continuation of previous owners' practices Scenario 3. Acquisition by a market driven acquirer baseline logging scenario Scenario 4. Acquisition for conversion to real estate development lands Scenario 5. Acquisition for conversion to conservation lands Several of the scenarios do not have adequately documented descriptions, rationales and/or information sources to support realistic and credible property management scenarios as required by step 1 of the methodology as identified below when appropriate. <u>Scenario 1:</u> The proponent indicates that this scenario lacks historical evidence and will be discarded later in the step-wise process.

	Scenario 2: The proponent does not have harvest plans that inform the continuation of this scenario but mentions several pieces of evidence that are used to infer harvest practices. The proponent mentions several points to this effect, which include the following as examples:" A. "…*however there is evidence from the extent of logging areas on the property that occurred within the period of approximately 1985 to 1996, along with evidence from adjacent properties managed by the previous owners."* B. "*Evidence of common or typical practice for the previous owners and/or similar owners has been forest liquidation logging in order to generate dividend returns to community shareholders*." Statements such as these do not specifically identify and describe the evidence the proponent is referring to with sufficient clarity, and they are also unsupported with documented evidence. Specific description of the evidence used to demonstrate the plausibility of the harvest practices and documented evidence to substantiate this claim is required to fully assess the baseline scenario as realistic and credible. See **NCR 05/12**. Hunt 2010 was reviewed. The proponent indicated pages 114-116 of Hunt and confirms the history of logging and subsequent shipping of commercial timber from the project region to Asia. Hunt also provides a harvest rate, which the proponent cites in Appendix 4 of the PD as evidence that was used to support their own harvest rate. Evidence from the timber appraisal suggests liquidation logging is the norm. As a result the harvest rate appears plausible (See associated findings from NCR 14/12). Other evidence that supports this baseline scenario includes stakeholder consultations that confirmed that had this land not been sold it would have been logged in an identical manner than adjacent parcels of land. This aspect of the NCR is CLOSED. Scenario 3: The proponent asserts that timber rights buyers would likely harvest at a similar or faster rate than the previous owner's harvest rates. It refers to logging activity on Afognak Island by TransPac to support this statement; however the reference is not supported with evidence required for the auditors to fully assess this baseline scenario as realistic and credible. See **NCR 05/12**. The link provided is a website owned by the logging company Transpac, and identifies their logging rights to several native corporation holdings, one in 2002 with the Ouzinkie Native Corporation, and one owned by the Afognak Native Corporation in 2004, which is also cited in a timber appraisal by Forest and Land Management, Inc. The appraisals for Shuyak and Uganik created by Forest and Land Management Inc, include summary of other sales in the area. These show 3 separate transactions for the sales of timber cutting rights from various sellers to Trans Pac between 2002 and 2005. Other additional evidence was provided by stakeholder consultation

	that confirmed that had this land not been sold it would have been logged in an identical manner than adjacent parcels of land. TransPac has successfully bid on standing timber sales on Afognak Island and has an agreement to lease the log transfer facility at the south end of the island in Danger Bay. This aspect of the NCR is CLOSED. Scenario 4: The audit team determined that the acquisition appraisal documents indicated that real estate was not a realistic scenario for most of the land base, as only small portions of the land would actually be viable for real estate development. Therefore, evidence to support the plausibility of developing remote residential areas has not been sufficiently demonstrated to include this as a realistic and credible baseline scenario. See **NCR 05/12**. The documents arrive at the conclusion that the highest and best use is for waterfront areas within these parcels to be used for recreation (small recreational cabins, homes, etc) in conjunction with commercial timber harvests. This finding is in line with the description in the PD. The credibility of the assessment was verified by the audit team through stakeholder interviews. Land Managers with ANC and professional foresters that have worked in the region confirmed that taking waterfront land out of the timber harvesting land base and using it as recreational real estate has been discussed and studied for several years. However, the market conditions for this have not been right and to date there are only 3 or 4 lodges on the north end f Afognak Island. Therefore this aspect of the NCR is CLOSED Scenario 5: The proponent includes a conservation-driven acquisition purchased by a private entity followed by a donation for tax purposes or inclusion of a conservation easement on the project area to prevent logging. Such actions are stated to be representative of the proposed project activities. The audit team agrees with this assessment and notes that these scenarios do occur in the United States, however the proponent has not provided evidence to sufficiently demonstrate this scenario as plausible and credible. See **NCR 05/12**. The audit team determined that the aforementioned scenarios meet the two required scenarios required by the methodology: 1. Historical Practice Baseline Scenario, 2. Common Practice Baseline Scenarios. Each baseline scenario must satisfy the three minimum requirements outlined in STEP 1, Section 6 of the methodology. 1. Scenario 4 was discarded by the proponent since it would count areas that would become non-forest. The other scenarios meet this requirement. 2. The proponent states that all scenarios could be operated in compliance with Alaska forestry best management practices and laws and provides a verifiable reference to Alaska Forest

	Resources & Practices Act (FRPA, AS41.17). 3. The proponent asserts that all prospective scenarios in the project area comply with minimum environmental practices of land owners. The audit team was able to observe the patterns of previous harvests in and around the project area which show clear-cutting as a pervasive and common harvest technique. Therefore any of the proponent's baseline scenarios would be equal to or exceed the minimum environmental standards held by previous land owners of the region.
STEP 2a - The Historical Baseline Scenario – based on historical operating practices on the property:	The proponent states on pg 17 of the PD that "The Afognak property was sold to ALC/RMEF, and transferred to state ownership, and there is no history of management by ALC/RMEF prior to the project start date. As a result the proponent eliminates Scenario 1, which is listed earlier in this report in STEP 1. The proponent moves to STEP 2b, listed below. While it is accurate that there is no history of management prior to the start date, the description documented does not adequately reflect the transaction history of the various parcels that comprise the project area and therefore the management history of the project area as a whole. For example, the proponent uses the term "Afognak" to refer to the project area; however it is comprised of several parcels with different ownership histories involving the Federal Government, the Afognak Joint Venture, and the proponents. Moreover, stating the properties were sold to the proponents is inaccurate. As described in section 7.1 of the PD, surface estate rights were acquired, while on other parcels like Paul's Lake Tract A and Laura Lake timber rights were acquired. In all cases, the State of Alaska ultimately acquired surface estate rights, and the proponent kept the rights to air emission offsets. See **NCR 05/12**.
STEP 2b - The Common Practice Baseline Scenario – based on previous owner activities:	The proponent selects Scenario 2 since the methodology specifies in step 2b that the previous owner's activities can be used as a baseline scenario if the current owner has owned it for less than five years. This selection procedure conforms to the methodology. Although the baseline scenario was appropriately selected, the proponent provides additional information regarding the justification for not selecting other scenarios, however in many cases additional evidence is required to substantiate these claims. For example the proponent states that there is evidence that supports the likelihood that logging would have taken place. This claim must be substantiated with appropriate evidence. See **NCR 05/12**. The proponent discards Scenario 3 because it is likely to be less conservative though equally as plausible as Scenario 2. This claim must also be substantiated with appropriate evidence. See **NCR 05/12.** Scenario 4 was eliminated on the grounds that a commissioned appraisal (Forest and Land Management, Inc. 2008) found that highest and best use of lands was to log them. This finding was confirmed by the audit team. Scenario 5 was eliminated on the basis that conservation lands do not generate revenue and are unlikely to be placed into conservation for this reason. This is a logical conclusion, which was supported by stakeholder interviews that informed the audit team about the economic mandates that govern the area's Native Corporations.

STEP 2c - The Common Practice Baseline Scenario – based on new owner activities:		The proponent has indicated that this step is not applicable due to having chosen STEP 2b as the basis for its analysis. This procedure is in conformance with the methodology.	
STEP 3 – Additionality Test		The test for additionality is addressed in section 2.5 of the PD and is handled in table 3.2. Please refer to the analysis given below in section 3.2 of this report.	
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 05/12**		

3.2 VCS Standard Section 3.15: Additionality

Additionality shall be demonstrated and assessed in accordance with the requirements set out in the methodology applied to the project.

Findings from Field Audit
The proponent has provided its assessment of additionality in section 2.5 of the PD. The proponent has demonstrated use of the most recent VCS Tool for the Demonstration and Assessment of Additionality. The proponent has followed the step-wise process outlined by the tool. The audit team's evaluation is listed below: <u>Eligibility:</u> 1. The project claims that the project activities do not violate any existing laws. The audit team determined that it has followed the appropriate steps to acquire the rights to property and that its conservation-driven activities are allowable and mandated as per the federal conservation easements that act upon the various parcels that make up the project area. 2. The VM0012 methodology provides for a stepwise determination of the plausible baseline scenario, and results are consistent. <u>Assessment</u> Step 1a: The project lists the same five scenarios that were identified in Section 2.4 of the PD. However the manner in which the five scenarios correspond to the three scenarios required by the tool (Section 2.1.1.a) is not made explicit. See **NCR 06/12**. The proponent has not clearly explained how the five possible baseline scenarios correspond to the three scenarios required by the tool. Step 1b. The proponent states that: "*All plausible baseline scenarios could be undertaken within the legal requirements of private forestland or private remote residential land in the Kodiak Island Borough, Conservation District Zoning*. " No further analysis is provided. This analysis does not demonstrate that the steps outlined in section 2.1.2 have been followed, nor is evidence provided to support this claim as required in section 2.1.2 of the additionality tool. See **NCR 07/12**. Step 1c. The proponent has selected Scenario 2. The findings in section 3.1 of this report assess the procedure undertaken by the proponent to arrive at this baseline selection. Several non-conformances were identified and have been described in **NCR 05/12** and section 3.1 of this report. Subsequent stakeholder interviews have confirmed that had this land not been sold it would have been logged in an identical manner than adjacent parcels of land. This NCR is CLOSED. Step 2. The proponent states that the proposed activities are less financially attractive than all of the potential baseline scenarios, because the revenue from the activities without carbon finance is likely to be much less than that generated by other scenarios, and that it is therefore it is suitable to conduct a simple cost analysis. Based on the characteristics of the project activities this appears to be a logical conclusion, and since the project activity must be less attractive than only one other alternative scenario it is also logical to conclude that the income from a commercial harvest would be much greater than the income from the project activities. Step 2a. The proponent provides a written description that summarizes the findings of the Simple Cost analysis, and indicates that "*Afognak Forest Carbon Project fails the Simple Cost Analysis test, with no revenue sources aside from carbon finance, yet being faced with ongoing project related costs – there is no opportunity for any level of return on investment under the project scenario.* " Although this is a logical conclusion the proponent has not provided a completed simple cost analysis to the audit team, therefore this is a nonconformance against requirement 2.2.2 of the tool. See **NCR 08/12**.

Step 3. The proponent has provided a supplementary, but not required barrier analysis. The proponent states that similar conservation activities have been achieved with grants and non-commercial finance terms. The proponent does not support this claim with evidence, but since this step is not required this is not identified as a non-conformance, rather, it is extra information that due to a lack of supporting evidence does not materially contribute to the audit team's assessment.

Step 4. The proponent provides an analysis of Common Practice. Therein the proponent indicates that a comparison of the project activity was made "with other conservation activities similar to the project scenario that have taken place on the island". The results of this comparison aim to demonstrate that no other similar activities have taken place that meets the investment or barrier analysis tests. However, no explanation is provided that describes how the proponent conducted its comparison and what projects were considered. Furthermore, the proponent appears to limit its analysis to Afognak Island, however the methodology is not this restrictive by stating that proponents compare projects "in the geographical area of the proposed VCS AFOLU project activity". Due to the lack of supporting evidence the audit team is unable to evaluate the sufficiency of the proponent's common practice analysis, which then affects the audit team's ability to assess the conclusion that there is no common practice comprised of conservation-driven activities that meet the investment analysis criteria. Furthermore, the geographic scope of the analysis (the island) appears to be too narrow which possibly excludes relevant conservation examples in the geographic area of the project. See **NCR 09/12**. (See section 2.4.1 of the tool for reference)

Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 05/12, NCR 06/12, NCR 07/12, NCR 08/12; NCR 09/12**		

4 Quantification of GHG emissions

4.1 VCS Standard Section 3.16: Quantification of GHG emission reductions and removals

GHG emissions and/or removals shall be estimated for each GHG source, sink and/or reservoir relevant for the project (including leakage) and the baseline scenario.

Findings from Field Audit

The proponent describes the quantification process for baseline emissions in section 4.1 of the PD. The findings related to this process are listed below.

8.0 – Baseline Emissions

Inventory Requirements (pg 48 PD)

The proponent asserts that the project meets the following requirements:

1. The Inventory pertains to the project area
2. It was created <10 years ago
3. Documentation is available to describe the methods used to create the inventory

The audit team has verified through an onsite visit that the 22 -plot inventory described in the PD has been established in the project area. The site visit confirmed that measurements were executed according to best practices and standard operating procedures, and were adequately recorded. The system was installed in 2011 and therefore it was created within an acceptable timeframe as per the methodology.

Regarding documentation, the audit team reviewed the inventory data including orthophotos from 2006 used to stratify the forest. The orthophotos were found to come from the State of Alaska and were adequate to inform the stratification of the project area.

Pg 48 of the PD describes the methods used to create the inventory. The proponent states that it created a geo-located system of plots that were randomly derived from a series of 150 random plot locations that were generated from GIS tools. 22 variable circular plots were sampled with the goal of achieving 10% uncertainty and 90% confidence interval. Consultations with the proponent determined that the 150 plot locations were subject to certain constraints (50m from edges and 100m apart), which in fact represent a systematic random sampling design as opposed to a truly random sampling design. Although the sampling design appears to be adequate (described below), the proponent has not identified these constraints to the sampling design in either the PD or in "**Method for selecting monitoring plots.docx**" and should do so in order to clarify the exact type sampling design used to assess carbon stocks. See **OBS 01/12**.

The initial sampling intensity (22 plots) for the inventory has not been explained (**OBS 02/12**), however a review of "**Afognak**

plot data & UF Jan. 2012.xls" and accompanying statistics found that the variability in carbon density between plots was fairly low and supported the characterization of the project area as a mostly homogenous forest in terms of species composition and structure. This was also verified by the audit team on-site – the visit indicated a high level of species and structural uniformity throughout the project area and signals that a modest sampling intensity may be sufficient to obtain accurate estimates of biomass.

Baseline Scenario Area Stratification (start on Pg 57 ,PD)
Step 1
The following list indicates how the proponent addresses the four guidelines for stratification established by the methodology:
1. The project area was stratified using only two strata: Forested but harvestable areas of mature spruce, and harvested and now regenerating spruce.
2. Changes in forest productivity were deemed non-significant and are not modeled.
3. The project area is characterized as monotypic Sitka Spruce forests
4. The proponent acknowledges that there is variability in the "mature spruce" stratum regarding stand age, with age varying from 115-271 within a plot based on core samples taken by the proponent. All mature spruce areas were given an age of 190 based on evidence from core samples. Stands that were harvested in 1999 were given a starting age of 10.

-Points 1-3 of step 1 were verified by the audit team through an onsite visit to the project area that viewed various examples of forested and harvested areas, and were found to be reasonable based on the species homogeneity and relatively high structural homogeneity found within the mature Sitka Spruce stands.

- Point 4. The proponent provides standard operating procedures for selecting trees that would be subjected to coring to estimate stand age. The results of these tree cores are presented in the plot summary data provided to the auditors, and the selected trees appear to be suitable for determining age based on morphology (**Afognak plot data & UF Jan. 2012.xlsx**). The auditors also inspected tree cores on-site and they appeared to have been adequately collected and counted. The stand age calculations provided are transparent and accurately calculated.

Step 2 (Pg 59 PD)
The proponent states on page 59 of the PD that the areas that would be subjected to a simulated harvest were first determined using the results of an appraisal harvest plan, which was then calibrated by comparing past observations within harvests on adjacent lands non-project lands. Orthophotos from 2006 were used to identify non-productive land and remove riparian and road buffers. Upon comparing similar "higher and better use areas" within harvests of adjacent properties the proponent designates forested areas that were formerly identified in the referenced appraisal document as "higher and better use" as areas suitable for simulated harvests.

The audit team determined that:

1. Within the PD descriptions of the findings of the appraisal plan (Step 2, stage 1 of PD) the proponent does not clearly specify which adjacent lands were reviewed. It is also not clear what characteristics were observed within these harvests that justified including "higher and better use" lands back into the baseline harvest plan, and why the harvests in adjacent lands necessarily imply that similar lands in the project area would also be harvested. See **NCR 10/12**.

2. The audit team determined that the ortho photos used are in fact from the State of Alaska Digital Orthoimagery program, and observed the method used by the proponent to select harvestable areas. The proponent demonstrated competency in delineating harvestable areas within the project area using the orthophotos. Although the audit team confirmed the source of the photos and viewed them during the audit, the exact source of the photos as well as the specific photos used are not explicitly referenced in the PD, which negatively affects the transparency and verifiability of the baseline model's assumptions. See **NCR 11/12**.

8.1 Model Selection and Use
The proponent has chosen the FORECAST model v.8.5 in conjunction with Excel-based tools. P64 of the PD specifies how the model meets the criteria listed in section 8.1 of the methodology. These characteristics were reviewed by the audit team and the model appears to meet the criteria. Further, FORECAST is listed as an approved model by the methodology.
1. FORECAST has been widely used in academia and was developed at University of British Colombia.
2. The auditors saw that the model reports on an annual basis.

3. The model simulates mortality due to various factors that affect stand self-thinning, and can accommodate natural disturbance.
4. Output is in biomass kg/ha for alive, dead, belowground, and coarse wood debris.
5. The model has been expert tested and used in over 40 publications which can be verified through the internet.
6. The model is highly parameterized.
7. The model is appropriate for ecological and management scenarios since it can predict ecological reactions based on fundamental processes.
8. Model uses foliar nitrogen content as the principal variable governing growth, which is supplemented by information on biomass allocation and soil nutrient profiles among others.

The audit team reviewed these characteristics of FORECAST with the proponent and confirmed that it meets these requirements. In addition FORECAST is mentioned in the methodology as an example of suitable model.

The proponent created two average stand growth curves in FORECAST that models above and belowground biomass as well as the dead organic matter pools which are simulated from stand ages year 1 thru 300 and incorporate biomass gain, loss, and changes in dead organic matter. The first curve represents forests establishing under non-harvest scenarios, while the second models a regenerating forest after a harvest. These curves form the basis for simulating biomass in the project and baseline scenario as demonstrated in the Landscape Summary Tool.

The FORECAST model was calibrated using stand growth data acquired from the government of British Columbia's TIPSY database as referenced in the PD pg 65. The audit team reviewed this source and it was verified to be a reputable source for Sitka Spruce growth and yield information. Due to the nature of the BC government's database the location within BC from which the growth and yield data was based is difficult to ascertain by either the audit team and the proponent, which potentially introduces uncertainty as to whether such growth rates are appropriate for the project area, which is at a significantly higher latitude and experiences differences in climate that may cause significant affects on growth rates as compared to areas in BC at lower latitudes. The proponent explained that Sitka Spruce stands in BC tend to occur around 52-55 degrees N Latitude while the project area situated around 58.2 degrees. This helps decrease the potential for overstating growth rates from the use of more productive forests that occur at lower latitudes and in warmer temperatures. Further, the proponent uses a Stand Index of 14 which is relatively low and was derived from local appraisal documents and field observations. The SI was used to calibrate the model outputs along with field inventory data and observations and appears to be reasonable based on professional experience.

The proponent was able to convert TIPSY growth and yield curves to biomass through allometric equations established by Standish et al 1985. This source was reviewed and found to be adequate as it was of high scientific rigor and utilized over 40 trees to establish an allometric equation for Sitka Spruce. Biomass was obtained by utilizing TIPSY height and tree frequencies per hectare across a full range of diameter classes, as demonstrated in "Ss **SI 20 data from TIPSY with Standish equations.xls**". From this the mean biomass of trees at various diameter distributions could be calculated and to which the Standish biomass equation could then be applied. The data was then input into FORECAST subject to other inputs regarding biomass allocation, foliar nitrogen content and edaphic factors. This approach was reviewed and appears to be suitable given that the proponent's final output for the project scenario appears to fit evenly through the field inventory data after having applied a correction factor of 4%. In sum, the proponent demonstrated a strong understanding of the modeling process and demonstrated appropriate corrective actions to ensure the modeling outputs were conservative and appropriate for the project area.

The proponent provides several conceptual flow charts (Figures 5 and 6 in the PD) to help explain the inputs used for each component and how these components relate to one another, as well as supporting descriptions of these basic relationships (pg 62 of the PD). The proponent states that:

1. The FORECAST model v8.5 simulates biomass accumulations and decay of dead organic matter using a calibration datasets and a variety of ecological inputs.
2. The Landscape summary tool (LST) "**Afognak LST Jan 23, 2012.xls**" presents summarized output data from FORECAST and performs calculations to convert baseline and project scenarios into tC/ha within the pre-determined areas eligible for harvest simulations.
3. The excel-based "**Afognak Carbon Model v2.0.xlsx**" estimates storage harvested wood products and provides summarized net emissions calculations and all required discounts (leakage, buffer, etc).

These documents adequately support estimates of baseline and project carbon balances.

FORECAST incorporates calculations represented in equations 1 thru 17b of VCS VM0012 pertaining to biomass gain/loss, and dead organic matter dynamics. On Page 66 of the PD the proponent provides a general overview of how the model's processes relate to the calculation requirements of the standard, and refers the reader to Appendix 2 for further explanations. The results of this process are contained in the proponent's Landscape Summary tool and represents annual net changes in live biomass, and dead organic matter and final net annual balances were aggregated accurately within the tool and used in the Afognak Carbon Model.

8.3 Calculating the Baseline Carbon Balance

The baseline carbon balance of the FORECAST output incorporates biomass gain/loss and dead organic matter dynamics. Please refer to the previous findings regarding appropriateness of the model, its use, and an analysis of its processes. Findings regarding baseline carbon balance appear below.

Biomass gain/loss, Dead Organic Matter Dynamics

a. The proponent has applied a correction factor of 4% to make this output more conservative and in line with field observations and is described under the discussion for ex-post carbon onsite carbon stocks (pg 71 of the PD). However this correction factor is applied to ex-ante calculations and is not referred to in the description of ex-ante calculations. See **OBS 03/12**.

b. It is not clear how the proponent's with-project carbon balance is not claiming growth on parcels that were not under its control in 2008. For example, the proponent begins modeling re-growth in year 2008 however according to the ownership history on page 91 parcels like Uganik and Shuyiak were not part of the project area until 2009. See **NCR 12/12**.

Harvested Wood Products

On page 68 of the PD the proponent presents a general approach to calculations for harvested wood products which match those required by the VCS VM0012 methodology and refers the reader to Appendix 2 of the PD for additional explanation of the calculations. Furthermore equations 18-27 of the methodology are contained within the "**Afognak Carbon Model v2.0**". The model was found to contain calculations that match the form used in equation 18 of VM0012. The proponent has adequately calculated $\Delta C_{BSL,PERMHWP1,t}$. The calculations for $\Delta C_{BSL,PERMHWP2,t}$, and $\Delta_{CBSL,EMITFOSSIL,t}$ were generally determined to have been calculated correctly and sources were generally supported with referenced information and where necessary the values determined by the methodology were used an appropriately applied.

a. It is difficult to determine from the documentation whether the Afognak Carbon Model incorporates all of the variables required in equation 19 of the VM0012 methodology. For example, $RE_{BSL,k}$ is defined, justified and calculated properly however it is not clear from the documentation how/if the remaining variables in equation 19 have been determined and used in the proponent's calculation. See **NCR 13/12**.

9.3 Calculating the Project Carbon Balance

Please refer to point 8.1 in this report section for findings regarding the modeling of the project carbon balance, and for comments regarding appropriateness of the model, its use, and an analysis of its processes.

Biomass gain/loss, Dead Organic Matter Dynamics

The project carbon balance was found to have been adequately modeled and its outputs appear to be reasonable. The simulation of project carbon balance contained in the Landscape Summary Tool is transparent and its results appear reasonable.

Harvested Wood Products

As this project scenario is based on forest conservation no Harvested Wood Products were modeled. This appears to be a reasonable approach.

Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 10/12; NCR 11/12; NCR 12/12; NCR 13/12; OBS 01/12; OBS 02/12; OBS 03/12**		

4.2 VCS AFOLU Requirements Section 3.1.1: Data requirements

As set out in the *VCS Standard*, standards and factors used to derive GHG emissions data as well as any supporting data for establishing baseline scenarios and demonstrating additionality shall be publicly available and derived from a reputable

and recognized source, such as *IPCC 2006 Guidelines for National GHG Inventories or the IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry*.

Findings from Field Audit			
The standards and factors used to derive GHG emissions data come from reputable and appropriate sources.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

4.3 VCS AFOLU Requirements Section 4.5: Calculation of emissions in the baseline scenario (ex-ante estimate)

Methodologies shall establish procedures to quantify the GHG emissions or removals for the project and baseline scenario. *The IPCC 2006 Guidelines for National GHG Inventories* or the *IPCC 2003 Good Practice Guidance for Land Use, Land-Use Change and Forestry* shall be used as guidance for quantifying increases or decreases in carbon stocks and GHG emissions. The IPCC Guidelines shall also be followed in terms of quality assurance/quality control (QA/QC) and uncertainty analysis.

Section 4.5.3 of the AFOLU Guidance includes specific requirements for the quantification of carbon stocks in belowground, dead wood, soil carbon, and wood products pools. Projects shall follow methodological guidance for the estimation of carbon stock change all required and selected SSRs.

Findings from Field Audit			
The ex-ante calculations for the baseline scenario are the result of modelling processes contained within FORECAST and computations provided within the Landscape Summary Tool. These calculations appear to have been appropriately calculated however several assumptions must be justified before the appropriateness of these calculations can be determined. Please refer to sections 4.1 and 4.7 of this report for details.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

4.4 Calculation of emissions reductions or avoided emissions due to the project (ex-ante estimate)

Findings from Field Audit			
Please refer to section 4.3 of this report.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

4.5 Calculation of emissions from project activities (ex-ante estimate)

Findings from Field Audit			
The project claims that emissions from project activities are de-minimis based on the fact that the project is based on forest conservation with minimal associated emissions. The audit team agrees with this assessment.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	None		

4.6 VCS AFOLU Requirements Sections 3.1.8 and 4.5.4: ARR and IFM Long-term average calculation

ARR or IFM projects with harvesting activities shall not be issued GHG credits above the long-term average GHG benefit maintained by the project. The long-term average GHG benefit shall be calculated as set out in Section 4.5.3 of the VCS AFOLU Requirements.

Findings from Field Audit			
The proponent is not undertaking commercial logging activities as part of its project activities therefore this calculation is not applicable.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	None		

4.7 The assumptions made for estimating GHG emission reductions and/or removals

Findings from Field Audit
Several assumptions used to determine GHG emission reduction estimates have not been adequately supported with references and/or justifications for their appropriateness. See **NCR 14/12**. Some of these examples are listed below. 1. The appropriateness of the variables contained in Table 6 of the PD has not been explained or justified.

2. On page 60 of the PD there has not been sufficient explanation as to how the 5% and 15% retention rates of merchantable trees within the harvest areas were determined.

3. The proponent indicates that the previous owners' clear-cut logging practices are projected to occur over a 10-year timeframe. This is based on:
a. " ..*original timber rights agreement that the previous owners held on the initial transactions*" (PD pg 56).
b. The assumption that previous owners "...*would have targeted a compressed harvest schedule to mitigate the high remote operational, mobilization, and log shipping costs*" (PD pg 56).

No additional supporting evidence is given.

The PD pg 10 states that "*Approximately 15% of the productive landbase within the project area has been clear-cut logged since the mid- to late- 1980's*.", The explanations presented by the proponent in favor of the 10-year harvesting period do not appear to be fully justified considering that it apparently took the previous landowner from the "mid-late 1980's" until 1999 to clear 15% of the productive land base within the project area. It is not clear from the evidence provided in the PD that the previous land-owner would have pursued a 10-year harvesting timeline. This has implications on annual baseline emissions estimates.

4. Regarding the inputs for FORCAST, although the FORECAST input file provided a clear list of the inputs, their sources, and justification as to why they are applicable to the project conditions, this is not included in the documentation. Therefore the appropriateness of these inputs cannot be assessed. Although a raw copy of these inputs was provided "Sitka Spruce Dataset Afognak.xlsx" it is not possible to easily determine the source and appropriateness of these factors. Some examples include the sources for foliar nitrogen content in Sitka Spruce, soil N and P content, and light quality/availability.

5. The branch/foliage "rational function" used to determine foliar and branch biomass has not been justified or clearly identified in the documentation.

6. Several variables required by the methodology and which are identified and described in the PD Section 3.1 have either inadequately referenced sources, or have no supporting justification. Although it is acknowledged that FORECAST handles the modeling of these biomass gain/loss processes, the proponent has not however demonstrated that all variables required by the methodology are accounted for and are sufficiently justified in the documentation. Some examples of this include:
a. It is unclear how $f_{BSL,SWDECAY,i,t}$ justified by Vanderwel, M., Malcolm, J., & Smith, S. (2006b), is appropriate for the project area when it is a study based on hardwood forests in Ontario.
b. The source used for $f_{BSLnatural}$, and $f_{BSL,DAMAGE,i,t}$ are not specified.
c. $f_{BSL,DAMAGE,i,t}$, $f_{BSLBlowdown}$, $f_{BSL,Harvest}$, $f_{BSL,BRANCH,i,t}$, $f_{BSL,BUCKINGLOSS,i,t}$, $f_{BSL,lwDECAY,i,t}$, have no justifications provided.

7. Some assumptions and factors regarding the calculation of emissions from ocean transport within the Afognak Carbon Model are not clearly identified, referenced or justified. Examples include: "Tons of Co2 per ton of diesel fuel" and factors embedded in "Consumption at full power (Tons/Day) as a function of gross tonnage (GRT) for solid bulk carriers based."

8. The Afognak Carbon Model contains transparent equations for converting merchantable tree volume using an average wood density of 0.4, a value that is sub regional estimate. However the proponent has not provided a full reference for this source (Gonzalez 1990), which prevents the audit team from determining the adequacy of this variable in carbon calculations.

Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 14/12**		

5 Leakage

5.1 VCS AFOLU Requirements Section 3.6.1: Identification of leakage

The potential for leakage shall be identified, and projects are encouraged to include leakage management zones as part of the overall project design. Leakage management zones can minimize the displacement of land use activities to areas outside the project area by maintaining the production of goods and services, such as agricultural products, within areas under the control of the project proponent or by addressing the socio-economic factors that drive land use change.

Leakage that is determined, in accordance with Section 4.3.3, to be below *de minimis* (ie, insignificant) does not need to be included in the GHG emissions accounting. The significance of leakage may also be determined using the CDM A/R methodological tool *Tool for testing significance of GHG Emissions in A/R CDM Project Activities*.

Findings from Field Audit			
On page 77 of the PD the proponent has adequately identified and justified the exclusion of calculations of activity displacing leakage on the grounds that the project area is governed by conservation easements and that the holders of the carbon rights are non-profit organizations that are managing the project area for conservation purposes. The proponent does not incorporate leakage management into the project activities which is acceptable given the conditions of the project. On page 78 the proponent has identified market leakage as a potential source of leakage and has used option 2 in the methodology for calculating market leakage attributable to the project activities.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	**None**		

5.2 VCS AFOLU Requirements Section 3.6.2: Leakage mitigation

Activities to mitigate leakage and sustainably reduce deforestation and/or degradation are encouraged and may include the establishment of agricultural intensification practices, lengthened fallow periods, agroforestry and fast-growing woodlots on degraded land, forest under-story farming, ecotourism and other sustainable livelihood activities, and/or sustainable production of non-timber forest products. Leakage mitigation activities may be supplemented by providing economic opportunities for local communities that encourage forest protection, such as employment as protected-area guards, training in sustainable forest use or assisting communities in securing markets for sustainable forest products, such as rattan, vanilla, cacao, coffee and natural medicines.

Findings from Field Audit			
The proponent has omitted leakage management zones since the conditions of the project do not require it. This omission is justified since there is no displacement of harvesting agents occurring in the project.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	None		

5.3 VCS AFOLU Requirements Section 3.6.4, 4.6.4, 4.6.14 and 4.6.15: Market leakage

Market leakage assessments shall occur at validation and verification. The rules and requirements for the assessment of market leakage are set out in Section 5 of VCS AFOLU Requirements. Projects shall account for market leakage where the production of a commodity (e.g., timber) is significantly affected by the project. The significance of timber production is determined as set out in Section 4.3.3 above or as set out in Table 3 of the VCS AFOLU Requirements.

Findings from Review			
On pg. 78 of the PD the proponent explains its use of Option 2 for calculating Market leakage. The Afognak Carbon Model demonstrates this calculation transparently and the calculation was computed correctly.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS			

5.4 VCS AFOLU Requirements Sections 4.6.8 – 4.6.23: Project type specific leakage requirements

The VCS AFOLU Requirements includes the following project type specific criteria (see VCS AFOLU Requirements for complete reference of criteria requirements):

- ARR: VCS AFOLU Requirements Sections 4.6.8 – 4.6.9
- ALM: VCS AFOLU Requirements Sections 4.6.10 – 4.6.12
- IFM: VCS AFOLU Requirements Sections 4.6.13 – 4.6.14
- REDD: VCS AFOLU Requirements Sections 4.6.15 – 6.6.16
- ACoGS: VCS AFOLU Requirements Section 4.6.17 – 4.6.18
- PRC: VCS AFOLU Requirements Sections 4.6.19 – 4.6.23

Findings from Field Audit			
The proponent indicates on page 78 of the PD that the current owners of the carbon rights are non-profit conservation-driven organizations and provides table 11 to indicate that these organizations do not have a history of commercial harvesting in properties outside the project area. However the description on pg 78 and the contents of table 11 do not by themselves serve as adequate documented evidence to demonstrate that it meets the requirements set in the VCS AFOLU Requirements Section 4.6.13. See **NCR 15/12**.			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 15/12**		

5.5 VCS AFOLU Requirements Section 4.6.3: Quantification of leakage

GHG emissions from leakage may be determined either directly from monitoring, or indirectly when leakage is difficult to monitor directly but where scientific knowledge provides credible estimates of likely impacts. The GHG credit calculation table provided in Section 4.7 of the VCS AFOLU Requirements includes an example of indirect leakage accounting.

Findings from Field Audit			
The proponent has adequately accounted for market leakage and has accurately computed the calculations required by option 2 of the market leakage options afforded by the methodology.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

6 Summary of GHG emission reductions and removals

6.1 VCU Calculation

As set out in the AFOLU Requirements, any leakage shall be subtracted from the number of GHG emission reductions and removals eligible to be issued as VCUs.

VCUs should be estimated, and auditors should evaluate the correct calculation of buffer contribution in order to derive ex ante estimates of anticipated VCUs from project activities.

Findings from Field Audit			
Calculations regarding the total amount of net GHG emission reductions and estimated VCUs generated are contained in the Afognak Carbon Model. Net emissions contain the carbon balance between baseline and project emissions, and include storage from harvested wood products as well as emissions from production processes, and were appropriately calculated. Leakage was then appropriately deducted from the change in carbon stocks. The proponent has also appropriately calculated project uncertainty (see below) and deducted this from emissions reductions. However a review of the Afognak Carbon Model v2.0 suggests there is a mathematical error that occurs when the proponent attempts to remove emissions from harvesting, manufacturing, and transportation from the net annualized emissions that leads to an incorrect calculation of VCUs. An error arises in excel because the negative emissions value from harvesting emissions is being subtracted from net annualized emissions as a positive number, which leads to a decrease in adjusted net emissions reductions instead of an increase. For example in the tab “Summary Tables and Figs” of the Afognak Carbon Model v2.0, the proponent subtracts cell AJ11 from cell BB11, however the excel model is not recognizing the subtraction of the negative number represented in AJ11. As such the net emissions reductions value to which the buffer percentage withholding is applied is incorrect, in turn makes the actual buffer withholding incorrect, thus leading to an incorrect VCU calculation. See **NCR 16/12.**			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 16/12**		

6.2 Uncertainties assessment associated with the calculation of emissions

Generally uncertainty deduction methods are detailed within the VCS approved methodologies. Auditors should confirm appropriate uncertainty assessments have been conducted when calculated GHG emission reductions and/or removals.

Findings from Field Audit			
The proponent has provided an uncertainty assessment within the document “**Afognak LST Jan 23, 2012.xlsx**”. The calculations provided therein were reviewed by the audit team and were found to have been computed accurately and in accordance with the requirements established in section 4.5. The proponent derived a value of 6.9% which was adequately factored in as a deduction from emissions reductions.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS			

7 Monitoring plan

7.1 VCS Standard Section 3.18.1: Records relating to the Project

The project proponent shall ensure that all documents and records are kept in a secure and retrievable manner for at least two years after the end of the project crediting period.

Findings from Field Audit
The PD (Section 3.3 – QA/QC for Data Archiving) states that Afognak has documented control procedures which are adapted to cover the carbon monitoring data, including retaining the following for 2 years past the duration of the project including:

- Original copies of the field measurement, check plots, and related data summaries;
- Copies of all monitoring data analysis, model input and output files, carbon calculations required for the methodology, GIS inventory dated by year, and copies of the monitoring reports and;
- Records of the version and relevant change history of software or data storage media changed between monitoring periods.

These are adequate procedures which were also substantiated during the field visit, when the project proponent verbally demonstrated the understanding of record retention requirements, and explained their data retention procedures/policies. SOPs ("**Camco US Data Storage Policy.pdf")** for data handling were provided to the auditor. However, the PD description of "Afognak" as having documented control procedures is unclear as it doesn't identify who Afognak is and thus doesn't clearly demonstrate who is ultimately responsible for the procedures. See **NCR 17/12**.

Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	**NCR 17/12**		

7.2 VCS Standard Section 3.17 Data and parameters monitored

Data and parameters used for the quantification of GHG emission reductions and/or removals shall be provided in accordance with the methodology. Quality management procedures to manage data and information shall be applied and established. Where applicable, procedures to account for uncertainty in data and parameters shall be applied in accordance with the requirements set out in the methodology.

Findings from Field Audit			
The data and parameters used for the quantification of GHG emission reductions and/or removals are provided in PD section 3.1, and are in accordance with the methodology (section 14) with the exception of items raised in **NCR 10/12**. They also include Quality Assurance/Quality Control Measures according to Standard Operating Procedures for collecting field measurements, verifying laboratory procedures, verifying data entry and analysis techniques and data maintenance and archiving. Procedures to account for uncertainty in data and parameters are described in the PD Section 3.4 (Updating the Modeled Project Carbon Balance) and are based on an analysis of the modeled carbon stocks mean model error. Model error terms greater than 10% will be penalized according to the calculation of the uncertainty factor (Described in PD Section 4.5). The uncertainty calculation was verified by the audit team as correct.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	**Reference NCR 10/12**		

7.3 VCS Standard Section 3.17.3 – 3.17.5 VCS AFOLU Requirements Section 4.8: Monitoring plan

The project proponent shall establish a GHG information system for obtaining, recording, compiling and analyzing data and information important for quantifying and reporting GHG emissions and/or removals relevant for the project (including leakage) and baseline scenario.

A monitoring plan for the project that includes roles and responsibilities shall be established. Where measurement and monitoring equipment is used, the project proponent shall ensure the equipment is calibrated according to the equipment's specifications and/or relevant national or international standards.

Leakage shall be monitored as set out in Section 4.6 of the VCS AFOLU Requirements. Where projects are required to account for leakage, such leakage evaluation shall be documented in the appropriate section of the project description and/or monitoring report, as applicable.

Findings from Field Audit
The VCS AFOLU Requirements requires monitoring procedures be developed in accordance with the methodology, and specify the data and parameters to be monitored. Leakage monitoring is required, and where measurements from plots are used to calibrate biomass, soil carbon and dead wood decay models, sound and reliable methods for monitoring changes in carbon stocks shall be applied. The methodology requires the monitoring plan be produced in a project monitoring report prior to each verification and covers: **1. Spatial inventory change monitoring procedures:** The PD (Section 3.3) describes monitoring activities for updating annual inventory changes: conducted via property aerial observation flights over the project area in combination with individual ground observations and measurements from specific

disturbance events (field measured using aerial or ground-based GPS, or other remote sensing methods). These spatial elements will be updated in the Afognak GIS database annually.

2. Carbon stock field plot sampling monitoring procedures

Field plot monitoring activities to update the inventory, uncertainty calculations and carbon calculations are described in the PD section 3.3. Permanent plots will be re-measured at intervals of not longer than 5 years. Inventory data will be updated annually or at each verification/monitoring report period. Procedures describing updating of inventory are described. PD section 3.4 describes calculation of ex-post carbon stocks. Ex-ante calculations of GHG emission reductions and removals are described in PD section 4.1.

3. and 4. Standard Operating Procedures (SOPs) for monitoring activities and Quality Control/Quality Assurance and Data Archiving procedures:

Quality Assurance/Quality Control Measures according to Standard Operating Procedures for collecting field measurements, verifying laboratory procedures, verifying data entry and analysis techniques and data maintenance and archiving are described in section 3.3 of the PD. SOPs for field measurements also exist as a separate document ("**3GreenTree - Base PSP Plot SOP 2011 v1.0**")

PD (Section 3.3) describes how leakage will be documented including activity shifting and market shifting leakage annually. Market leakage calculations will be confirmed at each verification, using the baseline harvest scenario levels and updates for the results of any spatial monitoring findings in the project scenario. Activity shifting leakage is expected to remain unchanged as the project proponents (ALC/RMEF) do not have a history of operational activities.

The PD (Section 3.3) states that ongoing monitoring is the primary operational task for project and this will be the role of the carbon project manager. It is not clear who the carbon project manager is and/or what project proponent team this person will be part of. Further, the monitoring plan (section 3.3) states activities are undertaken and managed by Camco and 3GreenTree. Onsite, the project proponent stated that monitoring is the responsibility of Camco. See **NCR 18/12.**

Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 18/12**		

8 Environmental Impact

8.1 VCS AFOLU Requirements Section 3.1.4: Negative environmental and socio-economic impacts

Project proponents shall identify potential negative environmental and socio-economic impacts and shall take steps to mitigate them. Additional standards such as the Climate, Community & Biodiversity Standards (CCBS) or Forest Stewardship Council (FSC) certification may be applied to demonstrate social and environmental benefits beyond GHG emissions reductions or removals. VCUs may be tagged with additional standards and certifications on the VCS project database where both the VCS and another standard are applied.

Findings from Field Audit			
The project proponents state (PD Section 5) that there are no known environment impacts to assess for the retention of natural forests and that the project will only enhance all aspects of biodiversity, water and other environmental attributes through the protection of the natural ecosystem. Any project management activities will be low impact operations focused on salvage, restoration or preventative activities. The PD does not discuss any potential negative socio-economic impacts that may result from the project activities. See **NCR 19/12**.			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 19/12**		

8.2 VCS AFOLU Requirements Section 3.1.5: Conversion of native ecosystems

Project activities that convert native ecosystems to generate GHG credits are not eligible under the VCS Program. Evidence shall be provided in the project description that any ARR, ALM or PRC project areas were not cleared of native ecosystems

to create GHG credits (e.g., evidence indicating that clearing occurred due to natural disasters such as hurricanes or floods). Such proof is not required where such clearing or conversion took place at least 10 years prior to the proposed project start date. The onus is upon the project proponent to demonstrate this, failing which the project shall not be eligible. **Additional requirements for PRC project types** are outlined in VCS AFOLU Requirements section 3.1.6.

Findings from Field Audit			
This project does not clear native ecosystems to generate GHG credits. It is an IFM-LtPF project.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	None		

9 Comments by stakeholders

9.1 Findings from stakeholder comments received

Findings from Field Audit			
The PD (section 6) describes the extent of stakeholder engagement that has taken place during the years up to the purchases of land and timber rights of the project area. The PD states that the primary topic of all stakeholder engagement thus far has centered around the land acquisition and project scenario property management activities, and they have not explicitly held stakeholder discussions regarding the carbon project. The PD states that the concept of habitat conservation of the project area received over 80% support from local, state-wide, and national stakeholders. A list of all stakeholders met and a summary of the stakeholder findings are presented in table 16 of the PD. The summary of outcomes of consultations is however limited and vague. See **OBS 04/12**. An onsite interview with Tim Richardson (Director, Governmental Affairs and Alaska Program, American Land Conservancy) allowed for an overview of the project area acquisition history and the many years of stakeholder consultation that took place prior to the land parcels being successfully acquired by the RMEF/ALC. Many publically available documents also describe the project area acquisition history and stakeholder support for the land acquisition for conservation purposes.			
Conformance	Yes ☐	No ☐	N/A ☐
NCR/**OBS**	**OBS 04/12**		

10 Non-permanence Risk Assessment

Note: Risk factors are determined through a qualitative analysis conducted, following the guidance of the VCS AFOLU Non-Permanence Risk Tool. As stated in Section 1.1.3 "Project proponents shall clearly document and substantiate the risk analysis covering each risk factor applicable to the project. During the analysis, the validation/verification body shall evaluate the risk assessment undertaken by the project proponent and assess all data, rationales, assumptions, justifications and documentation provided by the project proponent to support the non-permanence risk rating."

10.1 VCS AFOLU Non-Permanence Risk Tool Section 2.2.4.4: Projects with tree harvesting

For ARR and IFM projects with harvesting, project longevity may include the length of time the activities that maintain carbon stocks will continue, either through the continuation of the project activity or by replanting or re-growth of the trees after the last harvest in the project crediting period. Such commitment to continue the management practice, or to replant or allow re-growth shall be demonstrated through evidence such as certification of sustainable forest management under Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC) or other internationally recognized schemes, or contractual agreements for timber supply beyond the last harvest in the project crediting period. Re-growth may be considered only where project areas, after harvesting, will be managed for regeneration (naturally or with assistance), maintaining the current species mix and allowing trees to re-grow to an age equivalent to at least the age at which trees were harvested, as demonstrated in management plans.

Findings from Field Audit			
Commercial harvesting is not part of the project activity.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	None		

10.2 VCS AFOLU Non-Permanence Risk Tool Section 2.1.1: Risk analysis

Projects shall prepare a non-permanence risk report in accordance with VCS document *AFOLU Non-Permanence Risk Tool* at both validation and verification. In the case of projects that are not validated and verified simultaneously, having

their initial risk assessments validated at the time of VCS project validation will assist VCU buyers and sellers by providing a more accurate early indication of the number of VCUs projects are expected to generate. The non-permanence risk report shall be prepared using the *VCS Non-Permanence Risk Report Template*, which may be included as an annex to the project description or monitoring report, as applicable, or provided as a stand-alone document.

The potential transient and permanent losses in carbon stocks shall be assessed over a period of 100 years from the start of the current monitoring period, unless otherwise specified in Sections 2.2 to 2.4 of the VCS AFOLU Non-Permanence Risk Tool, to determine the appropriate risk rating.

Risk Factor	Self Assessment Risk Rating	Findings (including description of any mitigation activities as required per VCS AFOLU Non-Permanence Risk Tool Section 2.1.2.2)	NCR/OBS
Internal Risks (VCS AFOLU Non-Permanence Risk Tool Section 2.2):			
Project Management: Shall be assessed using Table 1 of VCS AFOLU Risk Tool.	-2	Item a). The proponent is not and has not engaged in reforestation within the project area. This was verified during the field audit. Therefore the assigned risk score of "0" is appropriate. Item b). The project area is under public ownership and managed by the State of Alaska. The field audit confirmed that the project area has no history of illegal activities and therefore additional ongoing enforcement is not required. The risk score of "0" is appropriate. Item c). The proponent states that: "*The project management team at ALC/RMEF, Camco, and 3GreenTree hold all necessary experience related to all project activities, including experience developing and managing VCS forest and non-forest carbon projects.* " No additional statements are made or evidence provided to substantiate this claim. Based on the evidence provided it is not clear who the management team consists of and their relevant experience and roles within the project is not documented. As such the risk score of "0" cannot be properly assessed. See **NCR 20/12**. Item d). The project's day-to-day management team has not been specifically identified and their base of operations has not been clearly specified. As such the risk score of "0" cannot be properly assessed. See**NCR 20/12**. Item e). The proponent justifies Item e. with the following statement:	**NCR 20/12**

		"*AFOLU/Carbon Experience* *3GreenTree holds significant experience developing and managing VCS AFOLU projects. Camco holds significant experience developing and managing VCS non-AFOLU projects and projects under other carbon standard*s." Based on the information provided the level of experience claimed by the proponent is not substantiated with supporting evidence. As a result the audit team cannot properly assess the risk score of "-2"" since documentation is not provided to substantiate the risk score as required by Section 1.1.3 of the AFOLU Risk Tool. See **NCR 20/12**. <u>Item f.</u> The proponent does not claim this mitigation credit and has assigned a risk score of "0".	
Financial viability: Shall be assessed using Table 2 of VCS AFOLU Risk Tool.	0	Item (a-d). The proponent appears to have selected Item d) and assigned a risk score of "0". The proponent has not clearly identified its selection of item d) in the report and should clarify this point. See **OBS 05/12**. The proponent has not provided a financial analysis that includes the various requirements outlined in 2.2.2.of the risk tool. Therefore the audit team cannot properly assess the proponent's risk component selection or its risk score of "0" since documentation is not provided to substantiate the risk score as required by Section 1.1.3 of the AFOLU Risk Tool. See **NCR 20/12**. Item e-h). The proponent appears to have selected item h), however the proponent has not clearly identified its selection of item h) in the report and should clarify this point. See **OBS 05/12**. The proponent has not provided a financial analysis that includes the various requirements outlined in 2.2.2.of the risk tool. Therefore the audit team cannot properly assess the proponent's risk component selection or its risk score of "0" since documentation is not provided to substantiate the risk score as required by Section 1.1.3 of the AFOLU Risk Tool. See **NCR 20/12**. Item i). The proponent has assigned a risk score of "-2", however it has not provided the required documentation	**NCR 20/12, OBS 05/12**

		needed to substantiate its selection of Item h). as listed in 2.2.2.of the risk tool. See **NCR 20/12**.	
Opportunity cost: Shall be assessed using Table 3 of the VCS AFOLU Risk Tool.	0	Item a-f). The proponent appears to have selected item d), however the proponent has not clearly identified its selection of item d) in the report and should clarify this point. See **OBS 05/12**. The proponent has not provided an opportunity cost analysis, which is required to substantiate its selection of Item h). as listed in 2.2.3.of the risk tool. Therefore the audit team cannot properly assess the proponent's risk component selection or its risk score of "0" since documentation is not provided to substantiate the risk score as required by Section 1.1.3 of the AFOLU Risk Tool. See **NCR 20/12**. Items g, h, i). As per the latest version of the Non-permanence tool v.3.1, the proponent must select items g)+h), or item i. The proponent has not used the latest VCS AFOLU Risk Tool, and as such has incorrectly (relative to the instructions of the new tool) selected all three. As such the audit team cannot properly assess these items until the proponent has modified these items to conform to v.3.1 of the tool. See **NCR 20/12.**	**NCR 20/12, OBS 05/12**
Project longevity: Shall be assessed using Table 4 of the VCS AFOLU Risk Tool.	15	Item b). The proponent has selected item b) on the basis that: "Afognak has a legally binding Federal Conservation Easement that mandates continuation of the project scenario conservation management in perpetuity The proponent has assigned a project longevity of 30 years and has performed required computation as follows **30 – (30/2) = 15.** The resulting risk score is 15. However, the proponent has incorrectly determined the project longevity period. The conservation easement is active in perpetuity that mandates a continuation of the project activity; therefore the project longevity has not followed the requirement set forth in section 2.2.4.5 of the risk tool. See **NCR 20/12**.	**NCR 20/12**
Total Internal Risk: Shall be calculated using Table 5 of the VCS Risk Tool.	13	Due to the issues identified above the Total Internal Risk Score cannot be assessed until the non-conformances are addressed.	

External risks (VCS AFOLU Non-Permanence Risk Tool Section 2.3):			
Land and resource tenure: Shall be assessed using Table 6 of the VCS Risk Tool.	0	Item a, b, c, d) The proponent has grouped its evaluation of items a), b), c), and d together, and has assigned a score of "2. This procedure is incorrect since item a) and b) must be evaluated separately from items c, and d. Although the proponent has determined a score of "2", it is unclear as to which component this score should refer to. The audit team cannot assess the risk scores for these items until they have been evaluated and represented correctly in the documentation by the proponent. See **NCR 20/12**. Item e). The proponent has indicated that a federal conservation easement is in place to protect the area for at least 100 years. These easements have been reviewed the audit team and have been verified. Therefore the risk score of -2 is adequate. Item f). The proponent states that there is no land disputes related to the project area. The audit team verified this statement during the field visit. Therefore the risk rating of 0 is appropriate since there are no land disputes that would require a plan for resolving them.	**NCR 20/12**
Community engagement: Shall be assessed using Table 7 of the VCS Risk Tool.	0	The proponent asserts that this section is not applicable because there are no populations that rely on the project area. The auditor team verified this during the field visit. Therefore the risk rating of "0" is appropriate.	
Political risk: Shall be assessed using Table 8 of the VCS Risk Tool.	0	Item e). The proponent has calculated a risk score of "0" based on a WGI score of 1.22. Although it is unlikely that this score is below 0.89, the proponent has not demonstrated its underlying calculations for this score. See **NCR 20/12**. Furthermore, it lists the years 2005-2010 as years that were used to determine the score, which is the last 6 years, not the most recent 5 years as required by section 2.3.3.1 of the risk tool. During the audit the proponent confirmed that this was a typographical error, which should be corrected. See **OBS 05/12**. Item f) The proponent claims a score of "-2", which is justified on the basis that the US has an established FSC standard body. It is well known that this is the case; therefore the risk rating is	**NCR 20/12**

		appropriate.	
Total external risks: Shall be calculated using Table 9 of the VCS Risk Tool.	0	Due to the issues identified above the Total external risk score cannot be assessed until the non-conformances are addressed.	
Natural Risks (VCS AFOLU Non-Permanence Risk Tool Section 2.4):			
Natural risks: Shall be assessed using Table 10 of the VCS Risk Tool.	1	Fire: The proponent claims a risk score of "0" based on fire return interval of ~100 years due to the moist climate found in the project area. The audit team's assessment of the area supports this analysis, and the rating has been computed correctly. Therefore the risk score of "0" is appropriate. Pests + Disease: The proponent claims a risk score of "1" based on the lack of historical evidence of losses due to pests. It claims a return interval of 50-100 years with a major level of significance, and acknowledges that the highly homogenous tree species composition poses opens some risk to pests. The audit team's field visit supports these observations. However, there are several known pests and pathogens that attack Sitka Spruce that the proponent has not mentioned. Given the potential risk to pests inherent to a monotypic species composition a discussion of the risks posed by these pests is warranted in order substantiate the risk score. See **NCR 20/12**. Extreme Weather: The proponent acknowledges that the project area is susceptible to blow down from extreme maritime weather, but that there is no observed evidence to support that stands have been severely affected in this way. The audit team's field visits supports this assessment, therefore the return interval of 50-100 years, and minor significance is appropriate, and the risk score of 0 is adequate. Geological Risk. The proponent acknowledges significant geological events related to earthquakes and volcanic activity near the project area, especially recent events. The proponent claims a risk score of 0 based on a >100 year return interval, and a minor significance. This is supported by	**NCR 20/12**

		evidence that despite the 1964 Earthquake, one of the largest recorded in the area and which caused a tsunami did not visibly affect the forest in the project area. The same is true for ash fall in 1912. The proponent references Eigler 1964 as well as current assessments that demonstrate that the forests in the project area have not been visibly affected by these significant geological events. The audit team agrees with this assessment and the risk score is deemed appropriate.	

10.3 VCS AFOLU Non-Permanence Risk Tool Section 2.5.1 – 2.5.3: Overall Project Risk Calculation

Note: As per VCS AFOLU Non-Permanence Risk Tool 2.5.2, the minimum risk rating shall be 10, regardless of the risk rating calculated using Table 11. Furthermore, where overall risk rating is greater than 60, project risk is deemed unacceptably high and the project fails the entire risk analysis (see VCS AFOLU Non-Permanence Risk Tool 2.5.3). For additional information on project risk assessment failure see VCS AFOLU Non-Permanence Risk Tool 2.1.

To determine the number of buffer credits that shall be deposited in the AFOLU pooled buffer account, the overall risk rating shall be converted to a percentage (e.g., an overall risk rating of 35 converts to 35%). This percentage shall be multiplied by the net change in the project's carbon stocks (stated in the verification report), as set out in the VCS document *Registration and Issuance Process*. Where a project is divided into more than one geographic area for the purpose of risk analysis, the overall risk rating percentage for each area shall be multiplied by the net change in the project's carbon stocks (stated in the verification report) in such geographic area.

Risk Factor	Self Assessment Risk Rating	Findings	NCR/OBS
Overall non-permanence risk rating as determined using Table 11 of the VCS Risk Tool.	13	Several non-conformances were identified in table 11.2 that affect the accuracy of the overall risk rating. Please refer to the findings in section 10.2 above for more details.	Please refer to **NCR 20/12**