

Verification Report: Alto Mayo Conservation Initiative



Document Prepared by SCS Global Services

Project Title	Alto Mayo Conservation Initiative
Version	01
Report ID	121012-01

Report Title	Verification Report for the Alto Mayo Conservation Initiative
Client	Conservation International
Pages	13
Date of Issue	11 December 2012
Prepared By	SCS Global Services
Contact	2000 Powell Street, Suite 600, Emeryville, CA 94608, USA http://www.SCScertified.com Email: cpollet-young@SCScertified.com Telephone: +1 (510) 452-8000
Approved By	Christie Pollet-Young
Work Carried Out By	Lead auditor: Ryan Anderson Technical reviewer: Zane Haxtema

Summary:

This report describes the verification audit of the Alto Mayo Conservation Initiative. The project is an avoided unplanned deforestation project located in San Martin, Peru. The purpose of verification audit was to assess the conformance of the project with the verification criteria. The verification audit was performed through a combination of document review, interviews with relevant personnel and on-site inspections. The project complies with all of the verification criteria, and the assessment team has no restrictions or uncertainties with respect to the compliance of the project with the verification criteria.

Table of Contents

Table of Contents	3
1 Introduction	5
1.1 Objective	5
1.2 Scope and Criteria	5
1.3 Level of assurance	5
1.4 Summary Description of the Project	5
2 Validation Process, Findings and Conclusion	7
2.1 Validation Process	7
2.2 Validation Findings	7
2.2.1 Gap Validation	7
2.2.2 Methodology Deviations	7
2.2.3 Project Description Deviations	7
2.2.4 New Project Activity Instances	7
2.3 Validation Conclusion	7
3 Verification Process	8
3.1 Method and Criteria	8
3.2 Document Review	8
3.3 Interviews	8
3.4 Site Inspections	8
3.5 Resolution of Any Material Discrepancy	8
4 Verification Findings	9
4.1 Project Implementation Status	9
4.2 Accuracy of GHG Emission Reduction or Removal Calculations	9
4.3 Quality of Evidence to Determine GHG Emission Reductions or Removals	9
4.4 Management and Operational System	10

5	Verification conclusion	10
6	List of Findings.....	11

1 INTRODUCTION

1.1 Objective

The purpose of the verification audit activity was to conduct an independent assessment of the Alto Mayo Conservation Initiative (“the project”) to determine whether the project complies with the verification criteria, as set out in the guidance documents listed in Section 1.2 of this report.

1.2 Scope and Criteria

In accordance with Section 4.3.4 of ISO 14064-3:2006, the scope was defined as follows:

- The project and its baseline scenarios;
- The physical infrastructure, activities, technologies and processes of the project;
- The GHG sources, sinks and/or reservoirs that are applicable to the project;
- The types of GHGs that are applicable to the project; and
- The reporting period, as discussed in Section 5 of this report.

In accordance with Section 5.3.1 of the VCS Standard, the criteria for verification was the VCS Version 3.2, including the following documents:

- VCS Program Guide
- VCS Standard
- VCS AFOLU Requirements
- VCS Non-Permanence Risk Tool

Unless otherwise indicated, the assessment was performed against the most recent version of the relevant VCS guidance document. In addition, the assessment was performed against the requirements of the validated project description.

1.3 Level of assurance

In accordance with Section 5.3.1 of the VCS Standard, the level of assurance of this report is reasonable.

1.4 Summary Description of the Project

The following summary description of the project is quoted from Section 1.1 of the PD prepared by the project proponent:

The Alto Mayo Protected Forest (AMPF) covers approximately 182,000 hectares of land in the Peruvian Amazon of extremely high value for biodiversity conservation and watershed protection. This area forms part of the Abiseo-Condor-Kutukú Conservation Corridor, one of the most

threatened ecosystems in the world which houses an incredible number of endemic plants and animals of global importance. In addition, runoff from the Alto Mayo forests gives rise to several major rivers which provide clean and abundant water supplies and support several economic activities of the local population living in the Alto Mayo basin. For example, the Yuracyacu River provides water for the cities of Yuracyacu and Nueva Cajamarca, while supporting the irrigation of over 9,000 hectares of rice cultivation downstream. Its forests are also recognized for their importance in preventing soil erosion, protecting soils in the lowland areas from torrential flows and floods, and for their scenic beauty. The Alto Mayo forests also store a significant amount of carbon, whose release in the atmosphere through deforestation results in the emission of large quantities of greenhouse gases (GHG) which contribute to climate change. Conserving the Alto Mayo forests is therefore critical for mitigating global climate change, conserving biodiversity, and ensuring the provision of ecosystem services to the local population. For these reasons, the Peruvian government established the Alto Mayo Protected Forest in 1987 as part of the National System of Protected Areas.

Despite the designation of the Alto Mayo forests as a Natural Protected Area (NPA) by the State, insufficient funds for managing the area, the building of a national highway in 1975 that crosses the AMPF, and the high rates of migration from the Andes to the Amazon region have resulted in widespread settlement inside the area, making it one of the NPAs with the highest deforestation rate in Peru. The threats to the area have increased in the last decade with the linking of the highway to other regional mega-development projects such as IIRSA

In response, Conservation International and its allies in the region designed the Alto Mayo Conservation Initiative (AMCI), whose main goal is to promote the sustainable management of the AMPF and its ecosystem services for the benefit of the local populations and the global climate. The AMCI recognizes that the key to achieving significant GHG emissions reductions (ERs) and other ecological gains in the AMPF is designing a new mechanism to give the forest an economic value that competes with alternative uses of the land. Currently, conventional coffee production is the primary economic activity among settlers in the AMPF, despite the illegality of this activity under the land use restrictions of the NPA. The conventional coffee production techniques used by the vast majority of coffee producers within the AMPF are highly unsustainable. Most coffee plantations do not utilize organic fertilizers, pest control methods, or effective post-harvest management techniques, causing coffee plantations to quickly lose productivity. When production decreases, most coffee producers convert plantations to pastureland and deforest new areas to establish new coffee plantations. These poor

management techniques dominate the coffee production systems in all the sub-basins of the AMPF and encourage the cycle of deforestation.

Conservation Agreements (CAs) are being established between local communities and the AMPF Head Office in order to increase the productivity and sustainability of their coffee plantations, thereby increasing individual family incomes and reducing their need to deforest other areas to establish new coffee plantations. Specifically, settlers are being instructed on the production of organic, shade-grown coffee, thereby replacing the current traditional coffee plantations with sustainable, low-impact agro-forestry systems with the goal of restoring degraded areas. In parallel, the AMCI is investing in strengthening the governance and enforcement capabilities of the AMPF Head Office in order to equip them with the necessary skills and resources to successfully manage the complex dynamics between local populations and the Protected Area's conservation goals and to address other drivers such as illegal land trafficking. Additionally, the AMCI is performing extensive outreach and sensitization activities to build awareness among the local population and increase their involvement in conservation activities. With the financial support of carbon financing, these actions are facilitating the conservation of large expanses of forest with associated climate change mitigation benefits, while also creating opportunities for the sustainable development of local communities.

2 VALIDATION PROCESS, FINDINGS AND CONCLUSION

See validation report issued under separate cover. No validation activities are reported here.

2.1 Validation Process

Not applicable.

2.2 Validation Findings

Not applicable.

2.2.1 Gap Validation

Not applicable.

2.2.2 Methodology Deviations

Not applicable.

2.2.3 Project Description Deviations

Not applicable.

2.2.4 New Project Activity Instances

Not applicable.

2.3 Validation Conclusion

Not applicable.

3 VERIFICATION PROCESS

3.1 Method and Criteria

SCS used document reviews, interviews, and quantitative data analysis in the verification of this project as further described below. Information gathered during two site visits, one described in the SCS validation report for this project and a second described in SCS' forthcoming report of the assessment of the project against the CCB standard were used as well, but the primary basis of verification was a review of documentation and data presented by the project proponent. At all times, the project was assessed for conformance to the criteria described in Section 1.2 of this report. As discussed in Section 3.5, findings were issued to ensure that the project was in full conformance to all requirements.

3.2 Document Review

The primary document reviewed in this verification was the monitoring report titled "Alto Mayo Conservation Initiative Monitoring Report N° 1 (2008-2012)." This document was reviewed and compared to the requirements of the project's validated PD, selected methodology (approved VCS Methodology 0015), and the VCS standard. Additional supporting documents were also reviewed to confirm the information provided in the monitoring report. These included shapefiles and images used in project monitoring, spreadsheets used for project accounting, a project implementation database and implementation reports describing the project activities that have been carried out, and agreements entered into in the course of project activities, including a contract establishing the project's proponent's right of use in the project area.

3.3 Interviews

The interview process by which SCS collected information about the project is described in the project's validation report. In addition to the interviews conducted during validation, Fabiano Godoy of Conservation International was interviewed to discuss the quantitative aspects of the project's monitoring report.

3.4 Site Inspections

Site inspections were conducted in February 2012 as part of VCS validation and again in July 2012 as part of validation against the Community, Climate and Biodiversity Standard. Additional site inspections for VCS verification were not conducted, but information collected during the February and July site visits was used during the verification process. Given that the project start date was in 2008, the February and July 2012 visits were sufficient to verify project implementation.

3.5 Resolution of Any Material Discrepancy

Any potential or actual material discrepancies identified during the assessment process were resolved through the issuance of findings. The types of findings issued by SCS were characterized as follows:

Non-Conformity Report (NCR): An NCR signified a material discrepancy with respect to a specific requirement. This type of finding could only be closed upon receipt by SCS of evidence indicating that the identified discrepancy had been corrected. Resolution of all open NCRs was a prerequisite for issuance of a validation statement.

New Information Request (NIR): An NIR signified a need for supplementary information in order to determine whether a material discrepancy existed with respect to a specific requirement. Receipt of an NIR did not necessarily indicate that the project was not in compliance with a specific requirement. However, resolution of all open NIRs was a prerequisite for issuance of a validation statement.

Opportunity for Improvement (OFI): An OFI indicated an area that should be monitored or ideally, improved upon. OFI's were considered to be an indication of something that could become a non-conformity if not given proper attention, and were sometimes issued in the case that a non-material discrepancy was identified. OFIs were considered to be closed upon issuance.

All findings issued by the audit team during the verification process have been closed. In accordance with Section 5.3.6 of the VCS Standard, all findings issued during the verification process, and the impetus for their closure, are described in Appendix A of this report.

4 VERIFICATION FINDINGS

4.1 Project Implementation Status

The project proponent describes the status of project activity implementation in section 2.1 of the monitoring report. In addition, the project proponent provided a database containing detailed records of project implementation activities that was prepared in support of ongoing validation and verification against the CCB standards. In the field, SCS was able to speak to newly hired employees; view hard copy records of patrols conducted; view new signs demarcating project area boundaries; visit the newly constructed control post; view a subset of purchased field and computer equipment; speak with several subscribers to conservation agreements; view nurseries and other benefits provided to subscribers; view communication materials developed in support of the project; and speak with representatives of regional government and the AMPF management committee. All of this evidence supported the claim that the project has been implemented as described. The documentation provided, in combination with observations made during the site visit provide adequate evidence for SCS to come to reasonable assurance that the project activities are being implemented as described in the monitoring report.

4.2 Accuracy of GHG Emission Reduction or Removal Calculations

All calculations of greenhouse gas emission reductions and removals were checked by the verifier. No errors were discovered that materially affect the stated greenhouse gas emission reductions and removals of the project. The methods used to estimate greenhouse gas benefits of the project were consistent with the methodology and the validated project document.

4.3 Quality of Evidence to Determine GHG Emission Reductions or Removals

The primary new piece of evidence used to determine GHG emission reductions and removals is remote sensing imagery. The project proponent classified Landsat TM and Aster images from 2005, 2007, and 2012 to monitor actual observed deforestation in the project area and leakage belt using the procedures described in the monitoring plan. The classified images resulting from this analysis were assessed by the project proponent for accuracy using a comparison to high resolution Rapid Eye images. The audit team reviewed the methodologies applied and determined that they are consistent with the validated monitoring report and best practices in remote sensing. GIS files resulting from the analysis as well as unprocessed imagery were inspected by the audit team to ensure that the reported results are consistent with the original data and the results of deforestation modeling conducted at validation. The images available for monitoring in 2012 had some areas that were obscured by cloud cover. These areas were excluded from

calculations in a manner that is consistent with the guidance for handling cloud cover provided on page 29 (section 1.1) of the methodology. The review suggested that the data used to determine emissions reductions are of high quality, areas with missing data were handled in conformance to the methodology, and data processing was conducted as described in the monitoring plan, including implementation of quality control measures.

4.4 Management and Operational System

Interviews with project proponents and inspection of resultant data demonstrated that the project proponent possess all of the competencies required for accurate reporting of greenhouse gas emissions reductions and removals. Data presented to the audit team was clear and coherent and processing steps could be traced to the corresponding sections of the methodology and monitoring plan with transparency. The monitoring plan provides means for internal data review and quality control, and the data presented by the project proponent included the results of these internal assessments. The audit team concluded that the management and operational system employed is adequate for accurate reporting of greenhouse gas emissions reductions.

5 VERIFICATION CONCLUSION

SCS concludes that the project conforms with the verification criteria without qualification or limitation and that the project has been implemented as described in the validated project description. The verified emission reductions or removals are as stated below.

Reporting period: From 15-06-2008 to 14-06-2012

Verified GHG emission reductions or removals in the above reporting period:

GHG Emission Reductions or Removals	Period Ending 14 June 2009 (tCO ₂ e)	Period Ending 14 June 2010 (tCO ₂ e)	Period Ending 14 June 2011 (tCO ₂ e)	Period Ending 14 June 2012 (tCO ₂ e)	Total this reporting period
Baseline Emissions	1,017,246	964,620	886,810	843,650	3,712,327
Project Emissions	138,401	138,401	138,401	138,401	553,605
Leakage	0	0	0	0	0
Net GHG emission reductions or removals	878,845	826,219	748,409	705,249	3,158,722
Buffer Pool Contribution	87,885	82,622	74,841	70,525	315,873

6 LIST OF FINDINGS

NIR 2012.1 dated 08/14/2012

Standard Reference: VCS Standard Section 3.12.1

Document Reference: NA

Finding: Please provide evidence of right of use as described in section 3.12.1 of the VCS standard.

Proponent Response: [The proponent responded by submitting a copy of the administration contract entered into with SERNANP.]

Auditor Response: The project proponent submitted a copy of an administration contract entered into with SERNANP that provides evidence of right of use in accordance with the requirements of the VCS standard.

Closing Remarks: The Proponent's response adequately addresses the finding.

OFI 2012.2 dated 08/14/2012

Standard Reference: VM0015 Section 6.1.1 (f)

Document Reference: Table 14

Finding: Section 6.1.1 (f) of the methodology requires that if the uncertainty of a carbon stock estimate is greater than 10%, the carbon stock estimate must be adjusted as described in the methodology. The project has applied a deduction for the non-forest class, but not for other classes. The cloud forest class does not require an adjustment because the uncertainty is less than 10%, but the pre-montane forest and dwarf forest classes have uncertainty of greater than 10% and therefore are subject to an adjustment. The lack of an adjustment here does not constitute a material misstatement because the implications for avoided deforestation are less than the 5% materiality threshold (because of the very small area of observed and predicted deforestation in the cloud forest and pre-montane forest classes in both the project and baseline scenarios). However, a correction of this procedure is suggested, as potential deforestation in future monitoring periods could constitute a material misstatement.

Proponent Response: We have updated the tables and reflected in the revised Monitoring Report (attached).

Auditor Response: Opportunities for improvement are considered closed upon issuance. No response is required.

Closing Remarks: The Proponent's response adequately addresses the finding.

NIR 2012.3 dated 08/14/2012

Standard Reference: AFOLU Guidelines Section 3.6.3

Document Reference: NA

Finding: The VCS AFOLU guidelines require that projects prepare a non-permanence risk report in accordance with VCS document AFOLU Non-Permanence Risk Tool at both validation and verification. Though a risk report was recently validated, no report has been prepared for verification. Please provide a risk report for assessment at verification. Note that, as risk elements are unlikely to have materially changed since the report submitted, reviewed, and approved at validation, the risk report may be very similar to that prepared at validation with the exception of section 4.2, which shall be updated to reflect the actual GHG emission reductions for this monitoring period and the corresponding buffer withholding.

Proponent Response: [The proponent responded by submitting an updated Non-Permanence Risk Assessment Document].

Auditor Response: An updated non-permanence risk report was provided. The risk rating has not changed since the validation, except for the section 4.2, which now reflects the actual buffer withholding associated with the current monitoring period.

Closing Remarks: The Proponent's response adequately addresses the finding.

NCR 2012.4 dated 08/14/2012

Standard Reference: VCS Standard Section 3.17.3

Document Reference: Monitoring Report Sections 1.1-1.8

Finding: The monitoring report template must be filled out in full. Sections 1.1 -1.8 reference the project description, rather than providing the required information. Please revise the monitoring report to include all of the information required by the monitoring report template.

Proponent Response: See revised Monitoring Report (attached).

Auditor Response: The revised monitoring report now includes all information required by the monitoring report template.

Closing Remarks: The Proponent's response adequately addresses the finding.

NIR 2012.5 dated 08/14/2012

Standard Reference: NA

Document Reference: Monitoring Report Page 8

Finding: Please provide copies of the memorandums of understanding discussed on page 8 of the monitoring report to allow for verification of project implementation activities designed to integrate the AMPF into broader development and political processes.

Proponent Response: Please find attached the four MOUs referred to in NIR 2012.5 Memorandums of Understanding.

Auditor Response: The requested documents have been provided, and are consistent with the project implementation activities described in the monitoring report.

Closing Remarks: The Proponent's response adequately addresses the finding.