Public consultation response

ARR SLB PARANÁ

The Nature-based Solutions Brazil Alliance aims to promote and stimulate an agenda to discourage deforestation and forest degradation through the creation of guidelines and good practices, generating a safe and reliable business environment. The NBS Brazil Alliance appreciates this opportunity to share input on the ARR SLB PARANÁ project. The open consultation process and the possibility to participate actively is an opportunity to improve the integrity of the carbon credits.

As a non-profit association with 25 members including Agrocortex, Bioassets, Biofílica, Biofix, BR Carbon, BVRio, Carbon Credits Consulting, Carbonext, Conservação Internacional, Ecosecurities, Ekos Brasil, ERA Brazil, FAS, IDESAM, Impact Earth, MyCarbon, Radicle, Redda+, Re.green, Rioterra, Systemica, South Pole, Sustainable Carbon, Volkswagen Climate-Partner and WayCarbon, it is great to see new carbon projects being developed.

The following aspects contained within the Project Description were observed:

Methodology and Baseline

To determine the baseline scenario, the AR-TOOL02 tool - "Combined tool to identify the baseline scenario and demonstrate additionality in A/R CDM project activities" - was Applied, taking into account 3 possible scenarios: grain cultivation, pasture, and project activity for another purpose (cellulose).

Emission removal potential: approximately 36,288 tCO 2 e/year, 725,752 tCO2, in total (20 years). As this is a joint validation and verification process, the project intends to issue 95,632 VCUs in this first monitoring (2018 to 2022), with a 15% buffer.

In stage 1, for the baseline scenario of the Project, the proponent considered the use of agricultural land already established/attractive/profitable in the region (grains, mainly corn, for the agroindustry), to the detriment of the possibility of planting eucalyptus from sustainably, especially in degraded/unproductive areas.

In step 2, an investment analysis was carried out to evaluate two scenarios (the first, a carbon project without VCS benefits and the second, maintenance of the baseline scenario). At this stage, it is concluded that maintaining the cultivation of grains for the agroindustry is financially more attractive compared to the development of a carbon project without the generation of credits. That is, said Project is additional.

In stage 3, the barriers to the development of the Project were presented: i) Investments – large investments are made in the first years, not to mention that the government of Paraná does not have programs to encourage reforestation; ii) Technological – eucalyptus presents some stress characteristics, even with the development of cultivars, and to avoid compromising the commercial culture, some laborious and expensive techniques are applied. Additionally, it is mentioned that most plantations are destined to the production of paper and cellulose; iii) Institutional – considering current legislation, forest products from native species compete directly with exotic plantations; iv) Local ecological conditions – Paraná is very vulnerable to heat and fire phenomena, affecting the performance of forest plantations; v) Land use practices - tendency to maintain grain cultivation models for agroindustry and cattle raising in pastures, which present lower risks and less technical labor compared to reforestation.

Furthermore, there is great pressure for arable land in the region, whose financial return is short-term in relation to the eucalyptus development cycle.

As a conclusion of the barrier analysis, the document brings that in relation to the two analyzed scenarios, all identified barriers affect the carbon project without the VCS benefits, and none of them the maintenance of the baseline scenario.

Regarding the Common Practice, Paraná has commercial eucalyptus plantations that are produced in a short cycle for the production of pulp and paper, which has a solid market. However, the Project foresees the implantation and sustainable management of eucalyptus plantations with long cycles and with timber purposes.

According to the proponent, initial investments to obtain products from native forests are lower than for exotic stands. This point is worth a special look.

In terms of elegibility, it was based on cartographic information from collections 5 and 6 of Mapbiomas (1985-2020). The analysis for the identification of forests and other land uses was carried out for the Atlantic Forest Biome and subdivided into 3 periods (2008-2018, 2010-2020 and 2011-2021), considering the Project Area.

The aforementioned Project also mentions the other eligibility criteria, such as floodable areas and the presence of organic soils, using the MapBiomas base (identification of wetlands) and the IBGE soil chart (identification of organic soils).

It is worth mentioning that the first instance/area implanted between 2018 and 2020 corresponds exactly to the non-forest area determined in the eligibility analysis (= 949.6 hectares).

The Project does not include leakage in the emission estimates, pointing out that there is no possibility of shifting agricultural activities or grazing to the forest remnants.

The Project mentions that the most common baseline scenario is maize cultivation. However, in the first instance of the project, 95% of the project area was occupied by cattle pastures and 5% by soybean cultivation.

It is also mentioned that there was no baseline estimate "due to management practices in the area that include pasture grazing and two harvest cycles per year for soybean cultivation, fallow periods are short and insufficient for forest regeneration or establishment of the local flora." Additionally, it is mentioned that the existing tree individuals at the beginning of the project were not removed. Thus, the stock existing in the baseline was assumed to be 0 (as the methodology allows).

As the project includes in its scope only removals from eucalyptus, it is understood that the approach will not result in overestimations (when measuring pre-existing tree individuals in the area).

For the ex-ante estimate, the volume of trees was calculated according to the average annual increment (IMA) of the planted species estimated by the SLB through forest inventories in their plantations. For the estimation of carbon stocks in trees, the standard factors for carbon fraction of tree biomass, biomass expansion factor and wood density were used. For litter and dead wood, a factor of 0.01 was considered. Likewise, factors were used for soil organic carbon. In the latter case, it remains to include the reference in the table.

As the project has logging and harvesting purposes, it was mentioned that the "long-term average" was considered when carrying out the calculations.

Thus, the average annual removal is 36,288 tCO2e/year, which is equivalent to approximately 764 tCO2e/ha.

As for stratification, the criteria were: planting year, species and rural property.

Ownership and Project Proponents

The Project Zone (project expansion area) is defined by the state of Paraná. The first instance comprises an area of 949.6 ha that was planted between 2018 and 2020 and is distributed across the Paraíso, Santa Bárbara, São José and Santo Antonio farms, located in the municipalities of Tomazina, Sapopema and Arapoti. Therefore, this is a grouped project, having initially 4 properties, owned by Caesia Agroflorestal, Aloe Agroflorestal, Oiti Agroflorestal, and Cadens Agroflorestal. There is no information about how the agreement with SLB and the ownerships was made to develop the project.

The farm owners ceded the use of the forest to SLB International solely for the purpose of capturing and generating carbon credits. However, the Project does not mention anything about a formal process of documentary analysis of these properties (such as due diligence).

The only proponent is SLB International and it is responsible for all expenses related to the development and crediting of the carbon project (salaries, insurance, labor charges, contracting of third parties and all expenses arising from the carbon certification/credit processes). SLB Gestão, integrated into SLB International, will ensure the management of the plantations and the Project administration services.

Local Stakeholder Consultation and AFOLU-Specific Safeguards

There was a consultation process, with engagement strategies and visits to communities and towns, as well as interviews to understand the local context. Focus groups (community and local workers) were interviewed to understand needs and collect personal information (such as e-mail and telephone). These vehicles serve as communication channels so far, but it was not clear what kind of information is released in these places. The proponent contracted a third-party company (Kinomé) to develop the Project Theory of Change, create the baseline of the social scope and build a Progress Plan (which includes the monitoring of KPIs). Interaction with focus groups since 2014 is also mentioned (take into account that the Project has been in force since 2018 only).

The Project describes the actors based on the company's history in the region. In addition, it mentions a "Local Consultation" with stakeholders to identify social and environmental impacts through a workshop with plenary discussion. The document presents a table with the identified impacts and the measures that will be taken in monitoring and mitigation. It is worth mentioning that several stakeholders were identified, but only three groups were selected to participate in the public consultation.

The process of mapping, identification, invitation, engagement/participation, content and feedback from stakeholders for the "Local Consultation" is discussed in detail in the document.

The Project has developed a Management Plan, valid since 2020, for strengthening among institutions and social actors.

The proponent has developed a Stakeholder Engagement Plan (SEP) that serves, among other purposes, as a procedure for making, receiving, processing, investigating and resolving complaints. The document details the steps and dealings of the Feedback and Complaint Repair Mechanism and the respective communication channels.

The proponent presents evidence, such as copies of emails and photographic records, that prove the public consultation procedure.

The beneficiaries are local communities, workers. There is no clarity on how benefits will be distributed.

The use of fertilizers, herbicides and use of chemical control by workers is cited as a negative impact, however, as SLB's business model, chemical components should not be used. There is no clear information on identification of negative risks/impacts and possible mitigation actions.

Other Comments

In short, the Project presents all the sections that guarantee the understanding of the initiatives, applied methods and expected benefits. A highlight is the topic of Safeguards, which has been detailed with appropriate content and evidence. On the other hand, some other points deserve attention, such as the absence of the due diligence process on rural properties and the reason for the exclusion of certain groups of identified actors.

Another point to be considered is the definition of the baseline scenario for the project. The cultivation of corn for agroindustry is cited, but it is shown that 95% of the territory of the first instance is characterized by unmanaged pasture and 5% by soy.

The additionality analysis brings the barriers encountered in the transition between production systems, moving away from the historical cultivation of agriculture and livestock and moving to the cultivation of eucalyptus for timber purposes. However, again, a description of the plausible pre-project scenario for the entire geographic boundary of the project must be presented or better contextualized to understand the project's performance in the territory (as previously presented, the project focuses on corn cultivation, when 95% of the area of the first instance is livestock and 5% is soy).

In addition, in the analysis of common practice, the project puts forward a discursive axis that the form of eucalyptus production, related to the cutting cycle, would be a differentiating element from what would be the cultivation of eucalyptus in general, in terms of additionality. We were curious whether this assertion would be satisfactory for this argument, since in the same document, it is explicit that there are thousands of hectares of eucalyptus production in the same state.

It is also pointed out that little is presented about the project activities that will be implemented to guarantee the protection, conservation and restoration of native forests (35% of the area) and their species.

Finally, there is no mention in the project about the retroactivity of the project for 2018, justifying that the activities developed only occurred because of the existence of the carbon project. In addition, there is also no mention of the commitment to carry out planting subsequent to the harvest (carbon permanence), since the longevity of the project is 20 years and the harvesting of the wood is also expected to occur around 20 years of age. of eucalyptus.

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The NBS Brazil Alliance appreciates this important opportunity to record our comments. We welcome the project proponents to reach-out directly with any questions or follow-up requests related to the comments shared above by contacting **NBS Brazil Alliance,** at **nbs@nbsbrazilalliance.org.**