

Submitted to: Verra

Project under public consultation: FUTURE GREEN CARBON PROJECT (ID 3875)

Public consultation response

FUTURE GREEN CARBON PROJECT

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 FUTURE GREEN CARBON PROJECT 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 27 members including Agrocortex, Bioassets, Biofílica, Biofix, BR Carbon, BVRio, Carbonext, Conservação Internacional, EcoSecurities, Ekos Brasil, ERA Brazil, FAS, Geonoma, IDESAM, Impact Earth, Infrapar Sustainability, MyCarbon, Mombak, 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

This is a grouped project, the first instance of which corresponds to 50 properties and aims to reforest 32,226.25 ha of non-forested areas. It is understood that the Project Zone corresponds to the state of Mato Grosso do Sul. The first plantings began on January 4, 2021. Over the 31 years of the carbon project, the objective is to establish 100,000 hectares of forests.

The central activity of the Project is the conventional planting of non-forested areas using Eucalyptus, especially the species *Eucalyptus urophylla* and the hybrid *Eucalyptus urograndis* (*Eucalyptus urophylla* + *Eucalyptus grandis*) for commercial purposes.

The summary states that, in parallel, the Project will also promote the recovery and conservation of carbon stocks based on native species for conservation purposes (totaling 15,000 hectares), without claiming the corresponding VCUs. However, in the specific section on project initiatives there is nothing about such actions.

Additionality

in stage 1, for the Project's baseline scenario, the proponent considered non-forest land use, especially pastures and soybean crops (scenario 1); to the detriment of plantations in the Project Area without VCS registration (scenario 2) and the extrapolation of reforestation activities in parts of the Project Area in similar conditions from a socioeconomic and ecological point of view (scenario 3).

In stage 2, a barrier analysis was carried out. i) Traditional land use – maintenance and expansion of agricultural activities in the region. Despite the growth of forestry initiatives, these are significantly smaller compared to pastures and crops. ii) Technologies and logistics – lack of knowledge about the technological and logistical aspects of reforestation in the region, especially with regard to soil management, species genetic material, seedling quality, planting and harvesting operations, pest and disease control and uncertainties of weather events, as well as the complexity of logistical and infrastructure processes (road conditions). iii) Investments – a high degree of uncertainty and complexities related to reforestation harm long-term contributions and the interests of producers when compared to the crop cultivation cycle in traditional crops. The document explains "Without any incentives it is highly unlikely that producers would migrate from traditional, often familiar land-use activities related to perennial crops to face the challenges and uncertainties of a new and risky activity". iv) Market – agriculture presents a structured and consistent market as they are short-cycle commodities with few price variations. Unlike forestry initiatives, which need to wait for market movement for at least 7 years, with the direct influence of inflation and other risks.

As a conclusion to the barrier analysis, it is concluded that maintaining agriculture in the region is the only land use scenario not affected by the barriers identified and described in the analyses.

In relation to Common Practice, forestry is not a common practice in Mato Grosso do Sul (it represents only 3% of the state's economic initiatives). According to the proponent, the carbon project sought by Eldorado would represent an advance in activity in the region, combining economic and ecological benefits, as well as adapting the properties to current legislation (Forest Code).

In the section it is included that: "For the sake of conservatism, this project activity will apply the A/R rate resulting from the extrapolation of reforestation activities observed in the geographic area with socioeconomic and ecological conditions similar to those of the proposed clustered project occurring in a period after December 31, 1989 according to Scenario 3 and the combined tool. Then, a rate of 3% will be applied, which is the basic forestry rate (percentage of forest planted in the state of Mato Grosso do Sul according to

the Brazilian Institute of Geography and Statistics – IBGE) discounted from the total GHG removals generated by this project activity.”

Brazilian forestry, especially that related to commercial Eucalyptus plantations, is strongly established in the country. Not only at market level, but also in the context of scientific research (such as cultivars). This point is worth paying special attention to.

The document presents several benefits of the Project's activities for biodiversity (soil conservation, attraction of fauna and formation of ecological corridors) that will allow the development of communities surrounding the reforested areas (investment in family farming and facilitation of seed muvuca). However, these actions are not mentioned and detailed in the activities section foreseen by the Project; only in the Additionality topic.

One thing that it is important to mention is that it was observed that there was a lack of financial additionality analysis. Only the barrier analysis was used, which is allowed by the tool, as long as the financial analysis does not invalidate all the barriers mentioned. We observed that the proposed plantations could be profitable even without VCUs, which would break down the barriers argued in the barrier analysis.

The long term average seems overestimated. If productivity were so high, it would also break down the barriers argued in the barrier analysis (project without additionality force). In other words, the additionality of this project is not clear, mainly due to the fact that the reforestation with exotic species that they propose is interesting and economically viable.

Eligibility/Methodology

The document mentions, solely and exclusively, the criteria for establishing activities in non-forested/agricultural areas and without native ecosystems in the last 10 years. It presents a table with several maps that show the change in land use of properties in the Project Area in that period. There is no mention of the technique and data source used in this evaluation, and the information present in the map legends is difficult to visualize.

Furthermore, there is no exposed and/or detailed analysis of the other mandatory guidelines for eligibility of areas for ARR projects, such as wetlands and organic soils.

The proponent points out that for the inclusion of new instances, the criteria of the applicability conditions established in the VM0009 methodology will be considered. It was not clear how to use the respective methodology.

Several other specific parameters and requirements to be recognized when including new instances are also listed, in addition to the methodological ones.

Baseline

The Project considers previous land use (baseline scenario) as non-forested land, especially agriculture and pasture.

In the first instances, some pre-existing trees were removed and their volume was calculated by measuring sample plots (1000 m²), considering data on DBH and height of individuals. To calculate the volume removed from pre-existing trees, the cylinder volume formula was used and multiplied by the shape factor. Trees that have not been removed and still remain in project areas will have their survival monitored using drones.

To assess the leak, the proponent prepared a questionnaire that was applied during due diligence to identify whether agricultural activities had been displaced as a result of the Project. No displacement was identified, with GHG emissions considered zero.

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

Emissions/Removals

There is no visual table containing the reservoirs considered, with the corresponding information provided throughout the text. The Project assumed a zero value for the stocks of shrubs, litter, dead wood and organic carbon in the soil.

For the ex-ante estimate, data on average annual increment and volume of past experiences in locations similar to the Project Areas were used. Wood density information comes from our own database.

To calculate the biomass above and below ground, the average annual increase in wood volume, wood density, biomass expansion factor and root proportion were taken into account.

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

Thus, the average annual removal is 135,581.502 tCO₂/year, which is equivalent to approximately 179.20 CO₂e/ha.

As for stratification, there is no mention of the criteria considered.

The buffer value assigned to the risk tool was 24%

Ownership and Project Proponents

In addition to being the Project Proponent, Eldorado is the owner of the project and the forests, tenant and, in some cases, owner of the land. It is therefore understood that the company is the full holder of the carbon credits generated.

Lease agreements and property title deeds guarantee the company the legal right to control and operate the activities of the aforementioned carbon project.

The table presented with the property information includes the “partnership” category, which is neither mentioned nor detailed in the section.

Local Stakeholder Consultation and AFOLU-Specific Safeguards

Eldorado has the practice of characterizing all communities in their neighboring areas, considering a radius of 3 km², whose value is lower than that of the risk tool. When identified, communities are included in a database focusing on socio-environmental relationships and engagement. This database, together with the municipality and radius of the farms, were considered in the public consultation.

For “local representatives and institutions”, the consultation was carried out, solely and exclusively, via an online form sent by email. For the “community”, company representatives visited and explained about the project, taking down information, delivering the consultation form and contact details for suggestions and complaints.

There is no mention of the establishment of Free Prior and Informed Consent between the parties.

The document does not present and/or detail the notes and discussions arising from social groups at the public consultation event. It just mentions that the records will be demonstrated to VVB at the time of validation. According to the proponent, until the PDD completion date there were no comments and questions received during the consultation with local stakeholders, nor any complaints.

The proponent presents evidence, such as copies of emails, photographic records and attendance lists, which prove that the public consultation took place.

On the surface, the company mentions that it has established communication channels with interested parties so that impacts resulting from its forestry activities can be reported, treated, mitigated and prevented. It mentions that continuous communication with interested parties will take place via email and social media.

Eldorado indicates that external audits are carried out periodically by FSC or CERFLOR to map risks.

Other Comments

In general, the Project presents and details all the sections that allow the understanding of the actions, methods applied and expected benefits. However, for certain sections, it is worth further investigation, especially with regard to the sharing of benefits from the carbon credits generated and the notes and details provided by social groups in the public consultation.

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Another point to be considered is the Project's eligibility analysis. The methodology criteria were not fully applied and demonstrated in the document, as well as the sources of information are absent in that section. Furthermore, it was not clear why the VM0009 methodology was used.

Regarding additionality, despite the well-developed and well-founded narrative, it is worth taking into consideration the operational, market and scientific establishment of Brazilian forestry, especially that related to commercial Eucalyptus plantations, in force in the country for a long period. As well as Eldorado's historical performance in the territory and in its own areas, causing strangeness about the barriers identified in the analysis. One thing that needs to be clarified it's the lack of financial additionality analysis and the long term average that seems overestimated. The additionality of this project is not clear, mainly due to the fact that the reforestation with exotic species that they propose is interesting and economically viable.

Furthermore, it was not clear in the document about the leased areas, especially about facing difficulties in such practice. Related to this, the fact that the activity is intended for the entire state (meaning the Project Zone), and not just for the territory where it has been operating for years, may also reflect in eucalyptus proportions well above 3% of land use. . Finally, in the investment barrier, it is not understandable about the role of the distribution of credits in the specific case of land leasing and the responsibility for funding the activities proposed by the carbon project. In other words, the situation of these producers was not clear if the company did not exist/operate in the region.

In parallel, the recovery and conservation actions of native forests are not mentioned and detailed in the section on activities planned by the Project, although they are mentioned (superficially) throughout the document, especially in the Additionality topic.

It is worth taking a close look at the risks arising from the Project, taking into account the value of 24% of the buffer



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 Coordinator, Carla Zorzanelli**, at nbs@nbsbrazilalliance.com.