



**Verified Carbon
Standard**

RIO PRETO GROUPED REDD+ PROJECT



Document Prepared by FUTURE Forest

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1 PROJECT DETAILS

1.1 Summary Description of the Project

In Brazil, 58.39% of its entire 851,029,591.4 ha territory¹ is covered by forests, representing almost 497 million hectares of forest area² and putting it in second place for nations with most forest area worldwide. Brazil has also been at times the country with the highest levels of deforestation in the world, having lost almost 15 million hectares of its forest area from 2010 to 2020³. The expansion of the agriculture frontier due to cattle ranching, soy farming, timber collection, infrastructure and colonization by subsistence agriculturalists has contributed to this historically high deforestation rate, which is concentrated in the northern portion of the country, where the Amazon Rainforest lies.

The State of Mato Grosso is one of the main grain and meat producers in Brazil. Currently, the State is the 5th largest exporter, mainly with soy, cotton and beef⁴. Simultaneously, Mato Grosso also registers high deforestation rates, reaching in 2018 the highest in 10 years⁵; in 2019 in addition to the states of Pará, Amazonas and Rondônia, it accounted for 84.56% of all deforestation observed in the Brazilian Legal Amazon⁶.

The primary objective of the Rio Preto REDD+ Project is to avoid the unplanned deforestation (AUD) of the 3,096 ha project area, consisting of 100% Amazon rainforest. The project area is located within 2 private properties, which are located in Nova Marilândia and Santo Afonso municipalities, in the State of Mato Grosso. This project was designed as a grouped project, as to be able to increase its contribution to the standing forest with the addition of new project activity instances in the future.

It is expected that, with the carbon project, it will be possible to expand the monitoring of the area, hiring new professionals to work on the farms. In addition to the project's ecological and

¹ IBGE – Instituto Brasileiro de Geografia e Estatística. Brazil. 2019. Available at: <<https://www.ibge.gov.br/cidades-e-estados>>.

² FAO and UNEP. 2020. The State of the World's Forests 2020. Forests, biodiversity and people. Rome. Available at: <<https://doi.org/10.4060/ca8642en>>.

³ FAO. 2020. Global Forest Resources Assessment 2020: Main report. Rome. Available at: <<https://doi.org/10.4060/ca9825en>>.

⁴ Available at <<https://g1.globo.com/mt/mato-grosso/noticia/2021/07/21/valor-de-exportacoes-neste-ano-em-mt-aumenta-26percent-em-comparacao-com-2020.ghtml>>

⁵ Available at <<https://g1.globo.com/mt/mato-grosso/noticia/2018/12/10/mt-registra-o-maior-indice-de-desmatamento-da-amazonia-nos-ultimos-10-anos.ghtml>>

⁶ Available at <http://www.inpe.br/noticias/noticia.php?Cod_Noticia=5465>

carbon benefits, a proportion of the carbon credits generated will be dedicated to improving the social and environmental conditions in the project region, specifically contributing to improving deforestation control, aiming at the propagation of environmental awareness, generation of alternative sources of income and environmental education actions.

The contribution to sustainability is being monitored through the application of the SOCIALCARBON® Standard, which is based on six main indicators: Biodiversity; Natural; Financial; Human; Social and Carbon Resources.

The present REDD project is expected to avoid a predicted 1,287 ha of deforestation, equating to 357,782 tCO₂e in emissions reductions over the 30-year project lifetime, with an annual average of 11,541 tCO₂e.

1.2 Sectoral Scope and Project Type

Sectoral Scope: 14 - Agriculture, Forestry, Land Use

Project Category: Avoided Unplanned Deforestation (AUD project activity)

This is a grouped project.

1.3 Project Eligibility

According to the VCS Methodology Requirements v4.1⁷, for Reduced Emissions from Deforestation and Degradation (REDD) projects, eligible activities are those that reduce net GHG emissions by reducing deforestation. Thus, the project is eligible under the scopes of the VCS Program, following the VCS Standard version 4.2⁸, sections 3.2 and Appendix A1.5 – A1.8:

Eligibility Conditions	Rio Preto Grouped REDD+ Project Justification of Eligibility
Projects shall meet all applicable rules and requirements set out under the VCS Program, including this document. Projects shall be guided by the principles set out in Section 2.2.1	The project meets all applicable rules and requirements set out under the VCS Program, as detailed in this section and in Applicability of Methodology.
Projects shall apply methodologies eligible under the VCS Program. Methodologies shall be applied in full, including the full application	Applied methodology is VM0015 - Methodology for Avoided Unplanned

⁷ Available at < https://verra.org/wp-content/uploads/2022/01/VCS-Methodology-Requirements_v4.1.pdf>

⁸ Available at < https://verra.org/wp-content/uploads/2022/02/VCS-Standard_v4.2.pdf>

of any tools or modules referred to by a methodology, noting the exception set out in Section 3.13.1	Deforestation, v1.1. Applicability conditions are detailed on section 3.2.
Projects and the implementation of project activities shall not lead to the violation of any applicable law, regardless of whether or not the law is enforced.	The project activity involves the conservation of native Tropical Rainforest, including sustainable forest management plan or not. These activities are eligible under the Brazilian law according to conditions set out in section 1.14 and 3.5.
Where projects apply methodologies that permit the project proponent its own choice of model (see the VCS Program document Program Definitions for definition of model), such model shall meet with the requirements set out in the VCS Program document VCS Methodology Requirements and it shall be demonstrated at validation that the model is appropriate to the project circumstances (i.e., use of the model will lead to an appropriate quantification of GHG emission reductions or removals).	Not applicable. Project applies VM0015 methodology.
Where projects apply methodologies that permit the project proponent its own choice of third party default factor or standard to ascertain GHG emission data and any supporting data for establishing baseline scenarios and demonstrating additionality, such default factor or standard shall meet with the requirements set out in the VCS Program document VCS Methodology Requirements.	Not applicable. Project applies VM0015 methodology, in addition to the VT0001 for Additionality assessment.

Projects shall preferentially apply methodologies that use performance methods (see the VCS Program document VCS Methodology Requirements for further information on performance methods) where a methodology is applicable to the project that uses a performance method for determining both additionality and the crediting baseline (i.e., a project shall not apply a methodology that uses a project method where such a performance method is applicable to the project).	Not applicable. Project applies VM0015 methodology, in addition to the VT0001 for Additionality assessment.
Where the rules and requirements under an approved GHG program conflict with the rules and requirements of the VCS Program, the rules and requirements of the VCS Program shall take precedence	The project applies approved VCS methodology and tools. The project shall take precedence to the rules and requirements of the VCS Program over other approved GHG Program.
Where projects apply methodologies from approved GHG programs, they shall comply with any specified capacity limits (see the VCS Program document Program Definitions for definition of capacity limit) and any other relevant requirements set out with respect to the application of the methodology and/or tools referenced by the methodology under those programs.	The project applies approved VCS methodology and tools. The project shall take precedence to the rules and requirements of the VCS Program over other approved GHG Program.

Where Verra issues new requirements relating to projects, registered projects do not need to adhere to the new requirements for the remainder of their project crediting periods (i.e., such projects remain eligible to issue VCUs through to the end of their project crediting period without revalidation against the new requirements). The new requirements shall be adhered to at project crediting period renewal, as set out in Section 3.8.9.	Project was designed under VCS Standard version 4.2 and VM0015 version 1.1. Any new requirements shall be adhered to at project crediting period renewal (i.e six years from Project Start Date).
There are currently six AFOLU project categories eligible under the VCS Program, as defined in Appendix 1 Eligible AFOLU Project Categories below: afforestation, reforestation and revegetation (ARR), agricultural land management (ALM), improved forest management (IFM), reduced emissions from deforestation and degradation (REDD), avoided conversion of grasslands and shrublands (ACoGS), and wetland restoration and conservation (WRC).	This is an eligible AFOLU project category under the VCS Program: Reduced Emissions from Deforestation and Degradation (REDD).
Where projects are located within a jurisdiction covered by a jurisdictional REDD+ program, project proponents shall follow the requirements in this document and the requirements related to nested projects set out in the VCS Program document Jurisdictional and Nested REDD+ Requirements.	This project is not located within a jurisdiction covered by a jurisdictional REDD+ program.

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	Any implementation partners are described in the project description and sections 1.5 and 1.6.
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, WRC or ACoGS 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.	This project does not convert native ecosystems to generate GHG. The project area only contains native forested land for a minimum of 10 years before the project start date;
Activities that drain native ecosystems or degrade hydrological functions to generate GHG credits are not eligible under the VCS Program. Evidence shall be provided in the project description that any AFOLU project area was not drained or converted to create GHG credits. Such proof is not required where such draining or conversion took place prior to 1 January 2008.	This project does not occur on wetlands and does not drain native ecosystems or degrade hydrological functions;

<p>The project proponent shall demonstrate that project activities that lead to the intended GHG benefit have been implemented during each verification period in accordance with the project design. Where no new project activities have been implemented during a verification period, project proponents shall demonstrate that previously implemented project activities continued to be implemented during the verification period (e.g., forest patrols or improved agricultural practices of community members).</p>	<p>PP will demonstrate that project activities that lead to the intended GHG benefit have been implemented during each verification period in accordance with the project design.</p>
<p>For all IFM, APDD (except where the agent is unknown), RWE, APWD, APC, and ALM project types, the project proponent shall, for the duration of the project, reassess the baseline every ten years and have this validated at the same time as the subsequent verification. For all AUDD, APDD (where the agent is unknown), AUC and AUWD project types, the project proponent shall, for the duration of the project, reassess the baseline every six years and have this validated at the same time as the subsequent verification.</p>	<p>The baseline reassessment will be conducted every six years as this is an AUDD project.</p>
<p>Where ARR, ALM, IFM or REDD project activities occur on wetlands, the project shall adhere to both the respective project category requirements and the WRC 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 or can be conservatively excluded as set out in the VCS Program document VCS Methodology Requirements, in which case the project shall not be subject to the WRC requirements.</p>	<p>Not applicable. The project activity does not occur on wetlands.</p>

⁹ Available at
<[https://www.fao.org/3/y4171e/y4171e10.htm#:~:text=FAO%202000a%20\(FRA%202000%20Main,of%20other%20predomin](https://www.fao.org/3/y4171e/y4171e10.htm#:~:text=FAO%202000a%20(FRA%202000%20Main,of%20other%20predomin)
a>

provided they meet the forest definition requirements mentioned above.	
Activities covered under the REDD project category are those that are designed to stop planned (designated and sanctioned) deforestation or unplanned (unsanctioned) deforestation and/or degradation. Avoided planned degradation is classified as IFM.	Project activity is designed to stop unplanned (unsanctioned) deforestation as described throughout the PD.
Activities that stop unsanctioned deforestation and/or illegal degradation (such as removal of fuelwood or timber extracted by non-concessionaires) on lands that are legally sanctioned for timber production are eligible as REDD activities. However, activities that reduce or stop logging only, followed by protection, on forest lands legally designated or sanctioned for forestry activities are included within IFM. Projects that include both avoided unplanned deforestation and/or degradation as well as stopping sanctioned logging activities, shall follow the REDD guidelines for the unplanned deforestation and/or degradation and the IFM guidelines for the sanctioned logging activities, and shall follow the requirements set out in Section 3.5.2.	In case future project activity instances have areas legally sanctioned for timber production, baseline and project activity shall comprehend unsanctioned deforestation and/or illegal degradation, not the reduction of logging.
<p>Eligible REDD activities include:</p> <p>1) Avoiding Planned Deforestation and/or Degradation (APDD): This category includes activities that reduce net GHG emissions by stopping or reducing deforestation or degradation on forest lands that are legally authorized and documented for conversion.</p>	The Rio Preto Grouped REDD+ Project is within category AUDD: Avoided Unplanned Deforestation and/or Degradation.

2) Avoiding Unplanned Deforestation and/or Degradation (AUDD): This category includes activities that reduce net GHG emissions by stopping deforestation and/or degradation of degraded to mature forests that would have occurred in any forest configuration.

1.4 Project Design

When completing a draft project description for the purpose of listing on the pipeline as under development, complete the following information; otherwise, delete this text:

- ☐ The project includes a single location or installation only
- ☐ The project includes multiple locations or project activity instances, but is not being developed as a grouped project
- ☒ The project is a grouped project

Eligibility Criteria

A set of eligibility criteria for the inclusion of any new areas as instances willing to participate within the grouped project will be developed as per VCS Standard version 4.2 requirements.

As Rio Preto REDD is a grouped project, all instances implemented after validation shall meet the elements mentioned in Sections 3.5.15, 3.5.16 and the specific AFOLU Projects criteria (3.5.17 and 3.5.18) of VCS Standard v4.2. In addition, new areas willing to become instances of the project shall comply with the applicability conditions of the selected methodology, including conditions applicable to each activity, as described in Section 3.2.

1.5 Project Proponent

Organization name	FUTURE Forest (Future Carbon Consultoria e Projetos Florestais LTDA)
Contact person	Alan de Brito Carolina Pendl Abinajm Eliane Seiko Maffi Yamada Guilherme Lucas Medeiros Prado Lyara Carolina Montone Amaral Yara Fernandes da Silva
Title	Alan de Brito – Technical Coordinator Carolina Pendl Abinajm – Technical Coordinator Eliane Seiko Maffi Yamada – Technical Consultant Guilherme Lucas Medeiros Prado – Technical Coordinator Lyara Carolina Montone Amaral – Technical Coordinator Yara Fernandes da Silva – Technical Coordinator
Address	Rua Elvira Ferraz, 250, Conj. 601, Edifício F.L. Office – Vila Olímpia, São Paulo/SP, Brazil Postal Code: 04552-040
Telephone	+55 11 3045-3474
Email	tecnica@futurecarbon.com.br

1.6 Other Entities Involved in the Project

Organization name	FUTURE Carbon Group (Future Carbon Holding S.A.)
Role in the project	Holding company and Registry Manager
Contact person	Thiago de Avila Othero Cíntia Donato
Title	Thiago de Avila Othero – COO Cíntia Donato – Legal Coordinator
Address	Rua Elvira Ferraz, 250, Conj. 601, Edifício F.L. Office – Vila Olímpia, São Paulo/SP, Brazil Postal Code: 04552-040
Telephone	+55 11 3045-3474

Email	t.othero@futurecarbon.com.br cintia@futurecarbon.com.br
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Organization name	Carbon Asset (Carbon Asset Management Projetos Ambientais LTDA)
Role in the project	Carbon credits trader
Contact person	Thiago de Avila Othero Cintia Donato
Title	Thiago de Avila Othero – COO Cintia Donato – Legal Coordinator
Address	Rua Elvira Ferraz, 250, Conj. 601, Edifício F.L. Office – Vila Olímpia, São Paulo/SP, Brazil Postal Code: 04552-040
Telephone	+55 11 3045-3474
Email	t.othero@futurecarbon.com.br cintia@futurecarbon.com.br

Organization name	Sparta Participações Societárias S.A. Nilton Silvestre
Role in the project	Sparta S.A: owner of Fazenda Rio Preto, composing Instance 1 Nilton Silvestre: owner of Fazenda Nossa Senhora Aparecida, composing Instance 1
Contact person	Pedro Ivo Galindo Silvestre Iraciane Crysthina Alves de Brito
Title	Pedro Ivo Galindo Silvestre – Director Iraciane Crysthina Alves de Brito – Director
Address	Rua Mestre Albertino, 136, Subsolo 0 – Duque de Caxias, Cuiabá/MT, Brazil Postal Code: 78043-356
Telephone	+55 65 99998-3311 +55 65 99902-5896
Email	pegalindo@futurecarbon.com.br tbrito26@hotmail.com

1.7 Ownership

Instance 1 is located within the municipalities of Nova Marilândia and Santo Afonso, State of Mato Grosso, and is composed by the following areas:

- Fazenda Rio Preto Parte II;
- Fazenda Rio Preto Parte III;
- Fazenda Rio Preto Parte IV;
- Fazenda Nossa Senhora Aparecida.

The Fazenda Rio Preto properties composing Instance 1 are owned by Sparta Participações Societárias S.A (hereafter “Grupo Sparta” or “Sparta S.A”). The Fazenda Nossa Senhora Aparecida property, also composing Instance 1, is owned by Nilton Silvestre. The legal documents proving the land title and ownership of the properties will be made available to the auditors during the validation process.

As per the rules stated at Section 3.6 Ownership of the VCS Standard v.4.2, an enforceable and irrevocable agreement was set between Sparta S.A., Nilton Silvestre – the holders of the statutory, property and contractual right in the land, vegetation or conservational or management process that generates GHG emission reductions or removals –, and Future Carbon Holding S.A., which vests project ownership in the project proponent (Future Forest¹⁰). Evidence of such agreement will also be made available at the audit.

1.8 Project Start Date

According to the rules established by the VCS Standard version 4.2 document, “The project start date of an AFOLU project is the date on which activities that led to the generation of GHG emission reductions or removals are implemented (eg, preparing land for seeding, planting, changing agricultural or forestry practices, rewetting, restoring hydrological functions, or implementing management or protection plans)”.

Therefore, the project start date is 17-December-2021, and it was defined taking into consideration the date on which the Grupo Sparta started to practice forest conservation activities. Grupo Sparta acquired the property on 23-August-2021 with the aim of conserving the region that is suffering high pressure for deforestation. After acquiring the property, Grupo Sparta started an environmental conservation plan within the property that began to be put into practice on 17-December-2021 when the group sought more information about REDD Projects and conservation initiatives.

An updated registration showing the date of acquisition of the property along with the conservation plan will be provided to the audit team during the validation process.

¹⁰ Future Forest (Future Carbon Consultoria e Projetos Florestais Ltda.) is a company controlled by Future Carbon Holding S.A. Therefore, partnership agreements for project developments are signed on behalf of Future Carbon Holding.

1.9 Project Crediting Period

The project has a crediting period of 30 years, starting from 17-December-2021 until 16-December-2051.

This version of VCS PD covers the first baseline period of the Rio Preto Grouped REDD+ Project, from 17-December-2021 to 16-December-2027.

According to VCS requirements¹¹, the baseline must be reassessed every 6 years for ongoing unplanned deforestation because projections for deforestation are difficult to predict over the long term.

1.10 Project Scale and Estimated GHG Emission Reductions or Removals

The estimated annual GHG emission reductions/removals of the project are:

- ☐ <20,000 tCO₂e/year
- ☒ 20,000 – 100,000 tCO₂e/year
- ☐ 100,001 – 1,000,000 tCO₂e/year
- ☐ >1,000,000 tCO₂e/year

Project Scale	
Project	X
Large project	

Year	Estimated GHG emission reductions or removals (tCO ₂ e)
2021 (Starting on December 17)	1,063
2022	12,756
2023	12,756
2024	12,756
2025	12,756
2026	12,756

¹¹ Available at <https://verra.org/wp-content/uploads/2022/02/VCS-Standard_v4.2.pdf>

2027	12,756
2028	12,756
2029	12,756
2030	12,756
2031	12,112
2032	12,118
2033	12,118
2034	12,118
2035	12,118
2036	12,118
2037	12,118
2038	12,118
2039	12,118
2040	12,118
2041	10,894
2042	10,906
2043	10,906
2044	10,906
2045	10,906
2046	10,906
2047	10,906
2048	10,906
2049	10,906
2050	10,906
2051 (Ending on December 16)	11,693
Total estimated ERs	357,782
Total number of crediting years	30

Average annual ERs

11,541

1.11 Description of the Project Activity

The principal objective of the present grouped REDD project is the conservation of a region within the municipalities of Nova Marilândia and Santo Afonso, in the Mato Grosso state. This will be achieved through avoidance of unplanned deforestation.

The first instance of this Grouped Project presents 3,096 ha of forest area within Fazenda Rio Preto property. In the future, new instances may be added to the project, expanding the conservation of the forest.

The main deforestation agents within the Rio Preto REDD+ project region are: cattle ranching, mainly producing beef, and timber harvesters, acting both legally and illegally.

The main mitigation action of the project is to avoid unplanned deforestation through the expansion of monitoring of the area, mapping of deforestation, partnerships with education and research institutions and the insertion of the surrounding communities in the project activities, aiming to minimize invasions and illegal deforestation, offering alternative income, education and professional training.

It is important to note that this grouped project is not located within a jurisdiction covered by a jurisdictional REDD+ program.

The ex-ante estimate for the predicted avoided deforestation within the first instance project area over the 30-year project lifetime is 1,287 ha. The avoided emissions are expected to be 477,066 tCO₂e across the project crediting period.

1.12 Project Location

The first Project Activity Instance Area is situated in the municipalities of Nova Marilândia and Santo Afonso, in the State of Mato Grosso, a region known as Southern Amazon, with transition to Cerrado Biome. This municipality is located around 250 km from Cuiabá, capital of the State of Mato Grosso. The project area is covered 100% by native vegetation, totaling 3,096 ha.

The closest access roads are MT-240 and MT-160, highways that cross the state of Mato Grosso. The properties also make frontier to the Sepotuba River.

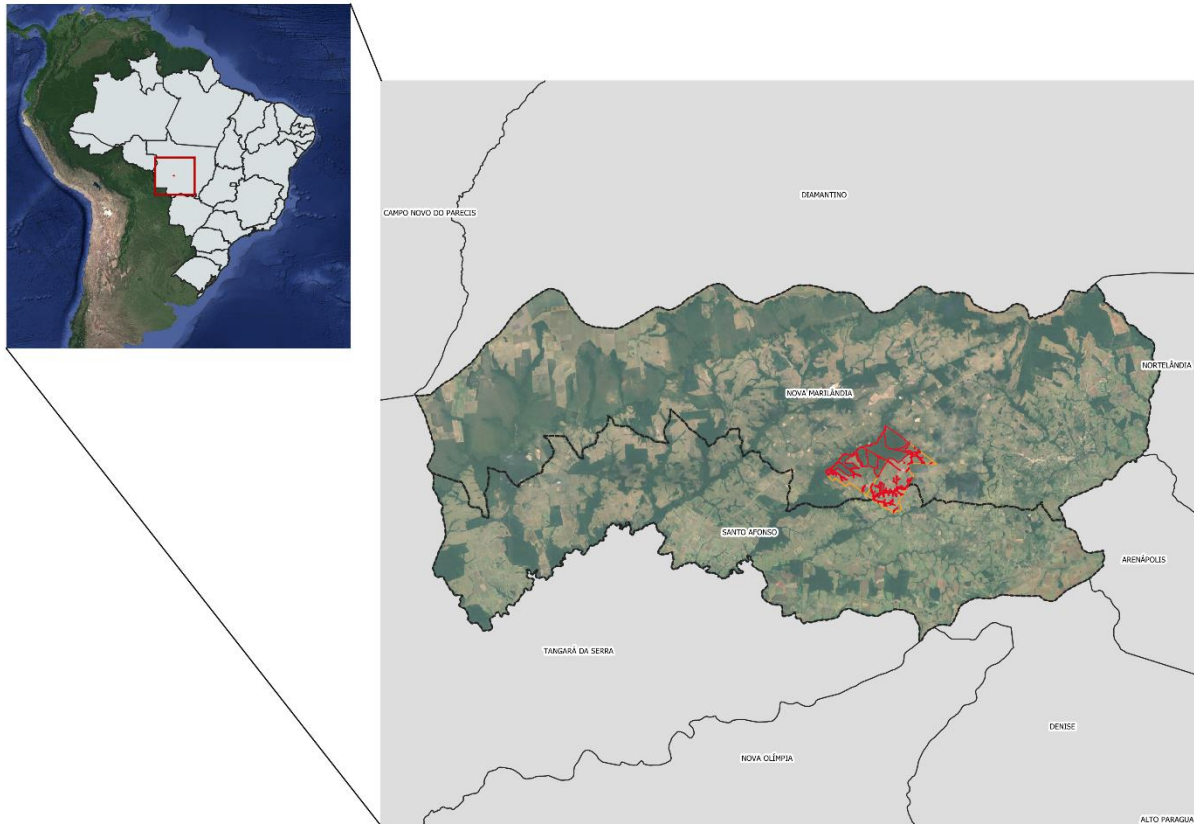
In accordance with VCS requirements, stipulated in Approved VCS Methodology VM0015, version 1.1, the project area may only include areas composed of “forest”¹² for a minimum of ten years

¹² Brazilian Forestry Service. Brazil adopts FAO forest definition: “Land with tree crown cover (or equivalent stocking level) of more than 10 percent and area of more than 0.5 hectares (ha). The trees should be able to reach a minimum height of 5 meters (m) at maturity in situ.” Available at: <http://www.florestal.gov.br/snif/recursos-florestais/index.php?option=com_k2&view=item&layout=item&catid=14&id=158>.

prior to the project start date. Therefore, satellite images between 2011 and 2021, were analyzed and classified. The areas within the property that were defined as forest in 2011 and in 2021 were separated and utilized to compose the project area. In addition, some non-forest areas were also excluded, such as rivers, rocks, and non-forest vegetation.

Figure below presents the location of the Project Area:

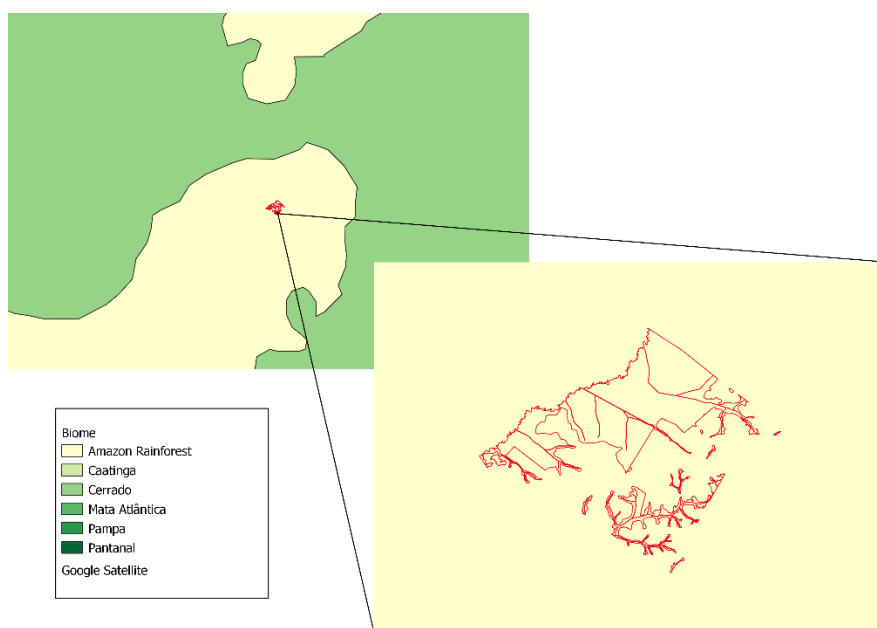
Figure 1. Project location



1.13 Conditions Prior to Project Initiation

- Ecosystem type:** The Project Area is 100% composed of native Amazon Rainforest Vegetation. Because of its proximity to the Cerrado biome, it is possible that some transition vegetation is found. Thus, the area may be categorized by its biodiversity importance.

Figure 2. Project area vegetation



- **Current and historical land-use:** The property has 20% of its area cleared for pasture, as it is allowed by the Brazilian environmental legislation. The remaining 80% of the property remains as standing forest and there's no activity being currently conducted, and it is considered as Project Area.
- **Has the land been cleared of native ecosystems within 10 years of the project start date?**
☐ Yes ☒ No

1.14 Compliance with Laws, Statutes and Other Regulatory Frameworks

According to the Brazilian Forest Code (Law N° 12.651, 25/05/2012¹³), all rural estates located in forest zones shall have:

- Permanent Preservation Area (APP): protected areas covered or not by native vegetation, with the environmental function of preserving water resources, landscape, geological stability, biodiversity, gene flow of plants and animals, protecting the soil and ensuring the well-being of human population.
- Legal Reserve: an area located within a rural property or possession which is required to be segregated, as well as the permanent preservation area, for the sustainable use of natural resources, conservation and rehabilitation of ecological processes, biodiversity conservation

¹³ BRASIL. Law nº. 12.651, of 25 May 2012. Forest Code. Diário Oficial [da] República Federativa do Brasil, Brasília, DF, 25 May 2012.

and shelter, and protection of native flora and fauna. In the Brazilian Legal Amazon¹⁴, eighty percent (80%) of a rural property should be preserved.

However, there is a clear disregard for legal conservation requirements in the region. Much of the deforestation occurs in areas that should be preserved. Lack of law enforcement by local authorities along with public policies seeking to increase commodities production and encourage land use for agricultural, bio energy and cattle breeding purposes created a scenario of almost complete disregard of the mandatory provisions of the Forest Code. High rates of criminality associated with land disputes usually jeopardize efforts concerning law enforcement improvement. In addition to that, to cover vast distances of areas with low demographic density makes tracking of illegal activities and land surveillance very difficult for the authorities¹⁵. Accordingly, policies implemented to address illegal deforestation only by means of command-and-control approaches have proven to be ineffective so far.

Regarding other regulatory frameworks that exist in Brazil, on November 28th, 2019 occurred the approval of the Federal Decree 10,144/2019, which establishes the National Commission for Reducing Emissions of Greenhouse Gases from Deforestation and Forest Degradation, Conservation of Forest Carbon Stocks, Sustainable Management of Forests and Increase of Forest Carbon Stocks -REDD+¹⁶.

The development of this Project is not in conflict with such Decree. In terms of the object, jurisdictionally and scope of the Decree 10,144/2019, it is understood that its application is merely administrative, that is, it merely organizes the functioning of the Federal Government about the REDD+ agenda. Its application is restricted to the federal entities of the Public Administration, and, because it is a decree, a normative type that only grants regulation to the matter of law, does not establish duties or obligations to the society.

Thus, Decree 10,144/2019 only limits the Federal Government's understanding of what shall be accounted for in order to comply with mitigation commitments of other countries to the United Nations Framework Convention on Climate Change. It does not impose a barrier or obstacles to the implementation of REDD projects and the commercialization of carbon assets generated from these projects. This consideration in the Decree does not affect or interfere with the voluntary or regulated carbon market, domestic or international.

There is no law in Brazil that does not allow or restrict the execution of REDD projects or that does not allow or restrict any commercial transaction of assets resulting from REDD projects. On

¹⁴ The concept of Legal Amazonia was originated in 1953 and its boundaries arise from the necessity of planning the economic development of the region. For this reason, Legal Amazonia's boundaries do not correspond to those of the Amazon biome. The former has an area of approximately 5 million km², distributed through the entirety or a proportion of 9 Brazilian states.

¹⁵ MOUTINHO, P. *et al.* REDD no Brasil: um enfoque amazônico: fundamentos, critérios e estruturas institucionais para um regime nacional de Redução de Emissões por Desmatamento e Degradação Florestal – REDD. Brasília, DF: Instituto de Pesquisa Ambiental da Amazônia, 2011.

¹⁶ The Decree is available in Portuguese at: <http://www.planalto.gov.br/ccivil_03/_Ato2019-2022/2019/Decreto/D10144.htm#art12> Last visited on 13/01/2022.

the contrary, such transactions are valid and legally permitted. Thus, there is no contradiction or irregularity between the Rio Preto project and such Decree.

1.15 Participation under Other GHG Programs

1.15.1 Projects Registered (or seeking registration) under Other GHG Program(s)

This project has not been registered and is not seeking registration under any other GHG Programs.

1.15.2 Projects Rejected by Other GHG Programs

Not applicable. This project is not requesting registration in any other GHG Programs nor has the project been rejected by any other GHG programs.

1.16 Other Forms of Credit

1.16.1 Emissions Trading Programs and Other Binding Limits

Does the project reduce GHG emissions from activities that are included in an emissions trading program or any other mechanism that includes GHG allowance trading?

☐ Yes

☒ No

1.16.2 Other Forms of Environmental Credit

Has the project sought or received another form of GHG-related credit, including renewable energy certificates?

☐ Yes

☒ No

1.17 Sustainable Development Contributions

The Rio Preto REDD+ Project main contributions to the Brazilian Priority Goals are listed below¹⁷:

- SDG 1: No poverty

Part of the funds from the sale of carbon credits will go to the education and sustainable development of the communities present in the reference region. Thus, the project collaborates with targets such as:

- 1.3 “Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable”;

¹⁷ Available at < <https://odsbrasil.gov.br/> > Last visited 13/01/2022.

- 1.4 “By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance”;
- 1.5 “By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters”.

- SDG 2: Zero hunger

The project aims to expand training related to the management of non-timber forest products, such as nuts and fruits. Guideline targets are:

- 2.4 “By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality

- SDG 3: Good health and well-being

Part of the funds from the sale of carbon credits will go to the communities surrounding the project. Social Carbon Report contains the indicator “Public Health”, thus the project may contribute to the following targets:

- 3.3 “By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases”.

- SDG 4: Quality education

The project aims to invest in education for the communities affected by the project, such as basic education, professional training, environmental education, among others. The targets determined by the UN that will act as a guideline for monitoring actions are:

- 4.1 “By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes”;
- 4.4 “By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship”;
- 4.5 “By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations”;
- 4.6 “By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy”;
- 4.7 “By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture

of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development”.

- **SDG 5: Gender equality**

Part of the funds from the sale of carbon credits will go to the communities surrounding the project. Social Carbon Report contains the indicator “Women inclusion” thus the project may have initiatives that contribute to the following targets:

- 5.2 “Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation”;
- 5.4 “Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate”;

- **SDG 8: Decent work and economic growth**

The Social Carbon indicators and perspectives aim to offer training and income generation in the project region. Guideline targets are:

- 8.3 “Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small-and medium-sized enterprises, including through access to financial services”;
- 8.6 “By 2020, substantially reduce the proportion of youth not in employment, education or training”;

- **SDG 12: Ensure sustainable production and consumption patterns**

The project is based on encouraging sustainable development and maintaining the standing forest through the sustainable use of its resources, and it aims to optimize access to non-timber forest products and the consumption of local inputs. One of the main objectives is to reduce illegal deforestation and profit from this activity, offering alternatives for income and extraction. The Rio Preto REDD+ Project has the following target and guideline:

- 12.2 “By 2030, achieve the sustainable management and efficient use of natural resources”

- **SDG 13: Take urgent action to combat climate change and its impacts**

Another of the main objectives of the REDD project is to reduce greenhouse gas emissions through the conservation of standing forest. Thus, its activity is already an action to combat climate change and its effects. The targets and guidelines for this objective are:

- 13.2 “Integrate climate change measures into national policies, strategies and planning”;
 - 13.3 “Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.
- **SDG 15: To protect, restore and promote the sustainable use of terrestrial ecosystems, to manage forests sustainably, to combat desertification, to halt and reverse land degradation, and to halt the loss of biodiversity.**

The project is based on the conservation and restoration of forests in the Amazon biome, ensuring forest services, preservation of natural resources and biodiversity. The targets and guidelines related to this objective are:

- 15.1 “By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements”;
- 15.2 “By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally”;
- 15.5 “Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species”;
- 15.9 “By 2020, integrate ecosystem and biodiversity values into national and local planning, development processes, poverty reduction strategies and accounts”;
- 15.a “Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems”;
- 15.c “Enhance global support for efforts to combat poaching and trafficking of protected species, including by increasing the capacity of local communities to pursue sustainable livelihood opportunities”.

Reducing deforestation and promoting sustainable development in the Amazon is also a key component to Brazil’s Nationally Determined Contribution (NDC) under the Paris Agreement. According to the Brazilian Government Ministry for the Environment (in Portuguese, Ministério do Meio Ambiente), the implementation of REDD+ activities are an important component to meet the Country’s contribution under the United Nations Framework Convention on Climate Change while preserving natural forest resources¹⁸.

The following components of the Brazilian commitments under the Convention are reinforced by the development of the Rio Preto REDD+ Project:

- Strengthening and enforcing the implementation of the Forest Code, at federal, state and municipal levels;
- Strengthening policies and measures with a view to achieve, in the Brazilian Amazon, zero illegal deforestation by 2030 and compensate for greenhouse gas emissions from legal suppression of vegetation by 2030;
- Enhancing sustainable native forest management systems, through georeferencing and tracking systems applicable to native forest management, with a view to curb illegal and unsustainable practices.

1.18 Additional Information Relevant to the Project

¹⁸ Commitments available in Brazil’s iNDC, from 2016, and reinforced in its update in 2020/2021. Available at <https://www4.unfccc.int/sites/NDCStaging/Pages/Party.aspx?party=BRA> > Last visited on 13/01/2022

2 SAFEGUARDS

3 APPLICATION OF METHODOLOGY

3.1 Title and Reference of Methodology

Approved VCS Methodology VM0015 “Methodology for Avoided Unplanned Deforestation”, Version 1.1, 3 December 2012. At: <http://www.v-c-s.org/methodologies/VM0015>

Tool for the demonstration and assessment of additionality in VCS agriculture, forestry and other land use (AFOLU) project activities Version 3.0, 1 February 2012. At: <http://www.v-cs.org/methodologies/VT0001> (last visited 19/05/2021).

AFOLU “Non-Permanence Risk Tool” VCS Version 4, Procedural Document, 19 September 2019, v4.0. At: <http://www.v-c-s.org/program-documents>

CDM – Executive Board “Tool for testing significance of GHG emissions in A/R CDM project activities (Version 01)” EB 31. At: <https://cdm.unfccc.int/methodologies/ARmethodologies/tools/aram-tool-04-v1.pdf>

3.2 Applicability of Methodology

VM0015	
Applicability Conditions	Instance 1 Project Activity Justification of Applicability
a) Baseline activities may include planned or unplanned logging for timber, fuel-wood collection, charcoal production, agricultural and grazing activities as long as the category is unplanned deforestation according to the most recent VCS AFOLU requirements.	<p>None of the baseline land-use conversion activities are legally designated or sanctioned for forestry or deforestation, and hence the project activity qualifies as avoided unplanned deforestation. This is in accordance with the definition of unplanned deforestation under the VCS Standard v4.1.</p> <p>The primary land uses in the baseline scenario are: cattle ranching, mainly for producing beef cattle; and timber harvesters, acting both legally and illegally. These</p>

	<p>unplanned deforestation and degradation agents have been attracted due to infrastructure expansion, such as waterways and roads. Therefore, the present criteria are fulfilled.</p>
<p>b) Project activities may include one or a combination of the eligible categories defined in the description of the scope of the methodology (table 1 and figure 2).</p>	<p>The instance 1 project activity falls within category B, “Avoided Deforestation with Logging in the Project Case”. The project area contains 100% native vegetation. In addition, it is important to note that degradation is not included in either the baseline or project scenario.</p>
<p>c) The project area can include different types of forest, such as, but not limited to, old growth forest, degraded forest, secondary forests, planted forests and agro-forestry systems meeting the definition of “forest”.</p>	<p>The forest classes that compose the project area are named as per Technical Manual for Brazilian Vegetation¹⁹. The area is considered forest as per the definition of forest adopted by FAO²⁰: Land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10%, or trees able to reach these thresholds in situ.</p> <p>No deforested, degraded or areas otherwise modified by humans were included in the project area at Project Start Date.</p>
<p>d) At project commencement, the project area shall include only land qualifying as “forest” for a minimum of 10 years prior to the project start date.</p>	<p>The project area consisted of 100% tropical rainforest in 2010 – 10 years prior to the project start date – all of which conformed to</p>

¹⁹ Available at <<https://www.terrabrasilis.org.br/ecotecadigital/pdf/manual-tecnico-da-vegetacao-brasileira.pdf>>

²⁰ Available at <[https://www.fao.org/3/y4171e/y4171e10.htm#:~:text=FAO%202000a%20\(FRA%202000%20Main,of%20other%20predomina nt%20land%20uses.>](https://www.fao.org/3/y4171e/y4171e10.htm#:~:text=FAO%202000a%20(FRA%202000%20Main,of%20other%20predomina nt%20land%20uses.>)>

	the Brazilian definition of forest ²¹ . This was ascertained using satellite images, as described in the section Project Location of the present VCS PD.
e) The project area can include forested wetlands (such as bottomland forests, flood plain forests, mangrove forests) as long as they do not grow on peat. Peat shall be defined as organic soils with at least 65% organic matter and a minimum thickness of 50 cm. If the project area includes a forested wetlands growing on peat (e.g. peat swamp forests), this methodology is not applicable.	Project Area is not composed of wetland. Therefore, none of the project region grows on peat, satisfying this applicability criterion.

VT0001	
Applicability Conditions	Instance 1 Project Activity Justification of Applicability
AFOLU activities the same or similar to the proposed project activity on the land within the proposed project boundary performed with or without being registered as the VCS AFOLU project shall not lead to violation of any applicable law even if the law is not enforced;	The activities in the proposed project boundary does not lead to violation of any applicable law even if the law is not enforced. The sustainable forest management plan is an activity authorized and endorsed in Brazil, and the landowner has all the environmental and legal authorizations necessary to conduct the activity.
The use of this tool to determine additionality requires the baseline methodology to provide for a stepwise approach justifying the determination of the most plausible baseline scenario. Project proponent(s) proposing new	The methodology provides a stepwise approach to justify determination of the most plausible baseline scenario.

²¹ Brazil adopts the FAO forest definition: "Land with tree crown cover (or equivalent stocking level) of more than 10 percent and area of more than 0.5 hectares (ha). The trees should be able to reach a minimum height of 5 meters (m) at maturity in situ." Available at: <<http://www.fao.org/docrep/006/ad665e/ad665e06.htm>>.

baseline methodologies shall ensure consistency between the determination of a baseline scenario and the determination of additionality of a project activity.

3.3 Project Boundary

The Grouped REDD project boundaries are defined by the limits of the reference region. The first project instance area is composed of two properties. The area contour coordinates of the properties composing this REDD Project will be presented in Appendix I.

The applied Methodology considers the six carbon pools listed in the Table below. Their inclusion or exclusion within the boundary of the proposed AUD project activity, as well as the respective justification/explanation, are described in the Table below.

Table 1. Carbon pools included or excluded within the boundary of the proposed AUD project activity

Carbon pools	Included / Excluded	Justification / Explanation of choice
Above-ground	Included	Carbon stock change in this pool is always significant
	Non-Tree: Included	Included in carbon stocks estimates
Below-ground	Included	Stock change in this pool is significant
Dead wood	Excluded	Excluded for simplification. This exclusion is conservative.
Harvested wood products	Included	Stock change in this pool is considered significant in the case a project instance implements sustainable forest management. The first instance of this grouped project does not conduct a SFMP, thus this carbon stock is considered insignificant.
Litter	Excluded	Excluded as it does not lead to a significant over-estimation of the net anthropogenic GHG emission reductions of the AUD project activity. This exclusion is conservative.
Soil organic carbon	Excluded	Recommended when forests are converted to cropland. Not to be measured in conversions to pasture grasses and perennial crop according to VCS Methodology Requirements, 4.0.

In accordance with the Methodology, approximately 1/10 of the carbon stock in the below-ground pool of the initial “forest” class will be released in a ten-year interval. This is further discussed in the section Baseline Emissions.

In addition, the Methodology considers the two sources of GHG emissions listed in the Table below. Their inclusion or exclusion within the boundary of the proposed AUD project activity, as well as the respective justification/explanation, are described in the Table below.

Source		Gas	Included?	Justification/Explanation
Baseline	Biomass burning	CO ₂	Excluded	Excluded as recommended by the applied methodology. Counted as carbon stock change.
		CH ₄	Included	Included as non-CO ₂ emissions from biomass burning in the baseline scenario, according to the methodology.
		N ₂ O	Included	Included as non-CO ₂ emissions from biomass burning in the baseline scenario, according to the methodology.
		Other	Excluded	No other GHG gases were considered in this project activity.
	Livestock emissions	CO ₂	Excluded	Not a significant source
		CH ₄	Excluded	Excluded for simplification. This is conservative.
		N ₂ O	Excluded	Excluded for simplification. This is conservative.
		Other	Excluded	No other GHG gases were considered in this project activity.
Project	Biomass burning	CO ₂	Excluded	Excluded as recommended by the applied methodology. Counted as carbon stock change.
		CH ₄	Included	Included as non-CO ₂ emissions from biomass burning in the project scenario, according to the methodology.
		N ₂ O	Included	Included as non-CO ₂ emissions from biomass burning in the project scenario, according to the methodology.
		Other	Excluded	No other GHG gases were considered in this project activity.
		CO ₂	Excluded	Not a significant source

Source	Gas	Included?	Justification/Explanation
Livestock emissions	CH ₄	Excluded	No livestock agriculture increase is predicted to occur in the project scenario compared to the baseline case. Therefore, considered insignificant.
	N ₂ O	Excluded	As above.
	Other	Excluded	No other GHG gases were considered in this project activity.

3.4 Baseline Scenario

The baseline scenario described in this section is valid for the Rio Preto Grouped Project and its instances, present and future.

In the baseline scenario, forest is expected to be converted to non-forest by the agents of deforestation acting in the reference region, project area and leakage belt, as described below. Therefore, the project falls into the AFOLU-REDD category, specifically: Avoided unplanned deforestation (AUD). The revenue from the present REDD project is essential to maintain this area as standing forest, as described under additionality (section 3.5), as well as to carry out the present project's leakage management activities.

Degradation was not considered in the present REDD project, in accordance with methodology requirements, which define “forest” and “non-forest” as the minimum land-use and land-cover classes.

Definition of the property boundaries

Reference Region

The reference region (RR) is an analytical domain through which information on rates, agents, drivers and underlying causes of land-use and land-cover (LU/LC) change are obtained, and subsequently used for future projection and monitoring.

The RR was defined in accordance with two criteria:

- The methodology recommendation that projects over 100,000 ha in size should have RRs 5 to 7 times bigger than the project area.
- The conditions determining the likelihood of deforestation within the project area being similar or expected to become similar to those found within the reference region, depending on: the landscape configuration and ecological conditions (elevation, slope, vegetation and rainfall), socio-economic and cultural conditions, and agents and drivers of deforestation (agent groups, infrastructure or other drivers). Specifically, this was based on the waterways (watersheds) and infrastructure (roads), which are the main means of human and product transportation in the region.

As detailed above, the project area is located in the State of Mato Grosso, in municipalities that are expanding livestock and agriculture, specifically soy plantations, leading to an increase of deforestation rate.

Taking this into account, in order to define the limits of the Reference Region, a socioeconomic analysis of the region has to be carried out and the existence of governmental forest preservation programs or even REDD projects was surveyed, since these municipalities are within the limits of the Amazon biome, and also in agriculture and livestock expansion. For the socioeconomic analysis it was necessary to analyze the region where the project area is located, considering hydrographic basins, types of vegetation and existing land structure.

Hydrographic basins were initially defined around the project area, from the drainage network produced by the digital model of elevation of the Shuttle Radar Topography Mission (SRTM). For each of these basins the average values of elevation, slope and precipitation and the percentages of the different vegetation types were determined. From the definition of this area, the criteria related to the type of vegetation, elevation, slope and precipitation were tested to verify the similarity in relation to the project area and the rest of the reference region.

Thus, based on the project area definition, the Reference Region was delimited encompassing the leakage belt. The criterion of the minimum area was adopted as mentioned in the applied methodology. A concentric buffer was developed around the Project Area. After this first delimitation, adjustments were made based on:

- Agents and drivers of deforestation expected to cause deforestation within the project area in absence of the proposed REDD project activity (i.e., cattle ranching and agriculture) caused deforestation in the reference region during the historical reference period;
- History of deforestation and economic growth of the region, expansion of the agricultural frontier, limits of the arc of deforestation, land conflicts, land structure in the region (presence of conservation units, indigenous lands and agrarian reform settlements);
- Existing infrastructure with the presence of navigable rivers, roads and highways and their respective production outflow routes;
- Socioeconomic characteristics of the municipalities involved, such as Gross Domestic Products (GDP), concentration of
 - in urban or rural areas and main economic products;
- The legal status of the land and the land tenure system found within the project area, i.e. private land, is also found in the reference region;
- Current and projected land use within the project area are found in the reference region;
- The project area is governed by the same policies, legislation and regulations that apply in the reference region;

- Elevation, Slope, Climate and Forest Classes characteristics in the Project Region: at least 90% of the project area have landscape configurations and ecological conditions that exist in at least 90% of the rest of the reference region.

Considering all criteria above, the reference region will be defined.

Leakage Belt

To determine the leakage belt area, the opportunity cost methodology will be used. Therefore, the economic viability of livestock and agriculture production will be spatialized in the Reference Region of the project, which consists of the difference between the sale price of the cattle and soy beans (per ton) and the average cost of production (per ton) plus the cost of transportation to take the product to the nearest consumer center.

The methodology for calculating road transport costs for livestock and agriculture in the region considered the sum of the distance that would be travelled in a straight line between the production areas and the open accesses (local highways and roads) with the distance travelled to the nearest commercial center.

Combining these two data, the economically viable areas for livestock and agriculture production would be where the sum of revenues minus total costs are positive. Thus, the calculation of the potential profitability was carried out for each territorial unit in the reference region, which can be summarized using the following formula:

$$PPx_i = S\$x - PCx_i - \sum_{v=1}^V (TDv * TCv)$$

Where:

PPx_i: Potential profitability of product Px at location I (pixel or polygon); \$/t

S\$x: Selling price of product Px; \$/t

PCx_i: Average in situ production costs for one ton of product Px in stratum i; \$/t

TC_v: Average transport cost per kilometer for one ton of product Px on land, river or road of type v; \$/t/km

TD_v: Transport distance on land, river or road of type v; km

V: 1, 2, 3 ...V, type of surface to on which transport occurs; dimensionless

Within this analysis, it was considered that areas with a higher profitability value would be more attractive for the activity. Thus, a classification by natural breaks based on the profitability values

will be conducted, highlighting the values. In addition, it was considered that areas adjacent to the project area viable according to the opportunity cost analysis within a 10 km radius would be where deforestation could occur directly due to the project's actions. In more distant areas, the increase in deforestation as it is already occurring is probably associated with the proximity to rivers and roads.

Leakage Management Area

The leakage management area (LMA) is designed to implement the activities which reduce the risk of leakage in the project scenario. These activities must include the agents of deforestation and involve seeking new sources of income which contribute to forest conservation. Leakage management could involve agricultural, agro-forestry, reforestation, education, or other activities.

The leakage management area may change with the addition of new instances. The leakage management area will be chosen according to the presence of the closest community, as education, employment, alternative income and mobility activities are planned to be carried out during the project's lifetime.

Leakage Management Plan

The main objective of the project is to avoid unplanned deforestation. This goal will be achieved through the expansion of monitoring of the area, along with mapping of the region. In addition, one of mitigation actions adopted is the inclusion of the local community in the project activities, with environmental education and alternative sources of income to minimize risks of invasion and deforestation within the project area and the reference region.

The project plans to implement the extraction of NTFPs and other alternative income for the community, encouraging handicrafts and local traditions. Moreover, the project activities will enable the creation of jobs to monitor the area, prioritizing the hiring of local residents for monitoring of the area, with professional training. Income from the sale of credits will make it possible to invest in the educational and professional training of children and adults in the community.

Beyond the project's ecological and carbon benefits, the implementation of REDD and SOCIALCARBON (or other co-benefit Standard, such as CCB) mechanisms promotes benefit sharing.

SOCIALCARBON or CCB methodologies will serve as a plan and guideline for carrying out activities and achieving goals, in addition to assessing progress in each monitoring period. In this way, the owners are committed and add value to the carbon project with each action taken, encouraging long-term sustainable development.

Analysis of agents, drivers, and underlying causes of deforestation

As specified in the methodology, it is necessary to understand “who” the deforesting agent is and what drives land-use decisions (“drivers” and “underlying causes”). This analysis is important for two main reasons: (i) Estimating the quantity and location of future deforestation; and (ii) Designing effective measures to address deforestation, including leakage prevention measures.

- **Identification of agents of deforestation**

In recent years, the project region has been deforested for the expansion of agricultural and livestock activities, mainly due to the advancement of the arc of deforestation from the south of the Amazon biome. This pressure is expected to continue, given the globalization of markets in the Amazon region and international development policies planned for the region²².

The main agents of deforestation identified in the area are detailed below:

a) Cattle ranching

Cattle farming in the Amazon is primarily due to low land prices combined with adequate rainfall levels²³. The Amazon region attends to national and regional demand. Analysis of supply and demand show that livestock farming could expand even more to attend to the majority of global demand. This scenario is extremely worrying in relation to Amazon deforestation levels.

Livestock farmers do not pay for the public lands which they acquire legally or illegally, and furthermore they harvest timber without paying the government and, in this way, they accumulate capital freely to reinvest into their operations. Thus, land speculation and cattle farming contribute to the advancement of deforestation in more isolated regions²⁴.

b) Soy production

Soy production in the project region is also an important agent of deforestation. This agricultural production contributes to the deforestation of the Amazon rainforest, both directly through forest clearing for new soy farms and by displacing other farmers who then move into forest areas. Further pressure comes from the development of infrastructure (like roads and ports) to support soy expansion. This infrastructure attracts other agents of deforestation (such as timber harvesters, cattle ranchers, and colonists who have been displaced from elsewhere), who therefore may increase deforestation²⁵.

²² Nepstad, D. C.; C. M. Stickler e O. T. Almeida. 2006. Globalization of the Amazon Soy and Beef Industries: Opportunities for Conservation. *Conservation Biology* 20(6):1595-1603

²³ BRANDÃO, Fernanda. **Tendências para o consumo de carne bovina no Brasil**. 2013. 102 f. Thesis (Doctor grade) - Curso de Agronegócio, Universidade Federal do Rio Grande do Sul, Porto Alegre, 2013.

²⁴ RAZERA, Allan. Dinâmica do desmatamento em uma nova fronteira do sul do Amazonas: uma análise da pecuária de corte no município do Apuí. 2005. 109 f. Thesis (Master grade) - Curso de Biologia, Universidade Federal do Amazonas - UFAM, Amazônia, 2005.

²⁵ BUTLER, Rhett. Why is soy bad for the Amazon rainforest? Mongabay. July, 2020.

Soybean cultivation is expanding in the Amazon, specifically in the State of Mato Grosso, due to economics, including high prices for grains. These high prices are driven by increasing demand for meat in other countries, mainly China. Around 20% of soy cultivation in Mato Grosso - Brazil's largest soy-producing state - was linked to illegal deforestation²⁶.

c) Timber harvesting

Timber logging (both legal and illegal) is an important economic activity within the reference region. Timber is one of the largest contributors to the value of annual production when compared to all extractivism products in the Amazon region.

Usually, deforestation in the region involves spatially overlapping activities: firstly, extraction of commercially valuable tree species for sale to timber companies. The final step is the slash-and-burn deforestation of the area above for cattle ranching or agriculture production.

After harvesting the most valuable commercial species, the deforestation continues both in areas already explored and unexplored, and thus providing conditions for further expansion of logging, cattle ranching and agriculture production.

• Identification of deforestation drivers

Some of the factors that characterize and drive deforestation are the low cost of the forested area; reasonable soil fertility (provided by the ashes after the burning of the forest); well-structured soil and mainly flat conditions of the area; tradition of farming existing in the municipalities and the meat/soy market of the region²⁷.

Key driver variables are detailed in section below.

a) Driver variables explaining the quantity (hectares) of deforestation:

- Population growth and density

Population is a variable that significantly predicts future deforestation quantity. Local residents are expected to carry out unplanned deforestation, which involves economic activities.

The population growth is tightly correlated with deforestation. Local population is primarily composed of migrants, crop and livestock farmers, and timber harvesters, the majority of whom come from other regions of Brazil. The lack of economic alternatives then turns this population into the primary deforestation agents in the region. As these cities rely on livestock and

²⁶ ICV. Illegal deforestation linked to Brazilian soy exports. 2020. Available at: <<https://www.icv.org.br/2020/06/illegal-deforestation-linked-to-brazilian-soy-exports/>>. Last visited on January 05th, 2022.

²⁷ Available in <<http://www.idesam.org.br/publicacao/cadeia-produtiva-corte-amazonas.pdf>> Last visited on 29/12/2020

agriculture for income generation, forest areas will likely be deforested for cattle ranching, soybeans, and other land uses, following historical patterns.

The increasing rate identified in the population data is an important variable affecting the amount of deforestation in the reference region.

- **Prices of timber, cattle and soybeans**

Timber, cattle and soybeans prices have much higher value than other products exploited in the region.

Furthermore, forested property values are almost 4 times cheaper than established pasturelands or agricultural lands²⁸. Thus, this disparity promotes the purchase of new forested areas, deforestation, and further creation of new pasturelands.

b) Driver variables explaining the location of deforestation:

- **Access to forests – Rivers and Highways**

The region of Tangará da Serra, in the State of Mato Grosso, is very well connected to other regions of Brazil. This condition makes the land in these regions extremely attractive to agricultural and livestock activities, due to easy transportation and access to other regions.

In addition, there are some regions within the reference region where the transportation is done through navigable rivers. The Project area is surrounded by many rivers.

The proximity to waterways historically determined the locations of settlements in relation to extraction of non-timber forest products (NTFPs) and timber. Waterways remain the overwhelmingly predominant means of transport and access to forest products.

- **Slope**

The project area has very low slope class, being considered mostly flat. This is a great condition to cattle ranching and agricultural expansion.

- **Identification of underlying causes of deforestation**

Underlying causes of deforestation include the political scenario related to environment in the baseline period. This political instability would probably reflect in the increase of deforestation.

Environmental governance in Brazil can be divided into three major periods: pre-2005, a period with very poor governance and high rates of deforestation; 2005-2011, a period with

²⁸ REYDON, Bastiaan Philip. O desmatamento da floresta amazônica: causas e soluções. **Economia Verde: Desafios e Oportunidades**, Campinas, v. 8, p.143-155, jun. 2011. Available at: <<https://silio.tips/download/o-desmatamento-da-floresta-amazonica-causas-e-solucoes>>. Last visited on: 29/12/2020.

improvements in environmental governance and effective results in reducing deforestation; and after 2012, when governance suffered a gradual erosion with the large amnesty granted to past illegal deforesters in the revision of the Forest Code and a return of deforestation rates to the peak levels of the last decade.

2012's political scenario, with the flexibilization of the forest code legislation and amnesty to deforesters, the interruption of the creation of protected areas, including the unprecedented reduction of several of these protected areas in the Amazon, among other actions, proved to be the beginning of a series of setbacks, which have continued over the past 5 years.

In the pre-election period in 2018, the country was already discussing the threat of political bargaining to climate mitigation and the forest conservation in general. In exchange of political support, the government offered landholders to increase deforestation, and the signature of provisional acts and decrees lowering environmental licensing requirements, suspending the ratification of indigenous lands, reducing the size of protected areas and facilitating land grabbers to obtain the deeds of illegally deforested areas.

In the beginning of 2019, the fusion of Environment and Agriculture Ministries was a clear attempt to obtain more rights for the expansion of agriculture and livestock. The decision was canceled a few days later, after pressure from environmentalists and others in the sector; however, major changes occurred in the ministerial office, limiting the reach and autonomy of the Environmental Ministry, with the absence of mention to combat of deforestation in the office's functions being highlighted by specialists²⁹.

In addition, the transference of policies and instruments of water resources, including the National Water Agency (ANA) to the Ministry of Regional Development and the Brazilian Forest Service and the Rural Environmental Registry (main instrument for controlling the regularization of large and small properties in forest regions) to the Ministry of Agriculture, Livestock and Supply demonstrated the dismantling of the Environment Ministry. The officialization of indigenous lands, in addition to other land issues, such as the agrarian reform and land regularization in the legal Amazon and traditional territories has been also transferred to the Ministry of Agriculture, Livestock and Supply.

As a consequence, the deforestation in the Amazon Rainforest was widely reported in 2019, as it was the third largest in history, with an increase of 29.5% in comparison to 2018. In total, 10,129 km² of the forest were deforested during that year. In August, during the peak of fire warnings in the forest, fact that caused climate effects in São Paulo, 2,790 km away from the Amazon³⁰, the government tried to deviate attention from the fires, claiming they were fake

²⁹ Available in < <https://www.socioambiental.org/pt-br/blog/blog-do-isa/a-anatomia-do-desmonte-das-politicas-socioambientais> > Last visited on 29/12/2020

³⁰ Available in <<https://www.economist.com/the-americas/2019/08/22/forest-fires-in-the-amazon-blacken-the-sun-in-sao-paulo>> Last visited on 29/12/2020

news³¹. The number of wildfires in Brazilian forests increased 70% in 2019, the highest rate in 7 years. According to National Spatial Research Institute (INPE), the most affected biome was the Amazon, with 51.9%.

This situation continued during the following years, with 10,851 km² deforested within the Amazon biome in 2020, and 13,235 km² in 2021 – the highest value since 2006. Therefore, there is a clear increasing deforestation trend in Brazil, which have underlying political and historical causes mentioned in this section.

Even though deforestation and fire alerts increased in the period between 2019 and 2021, the Brazilian Government reduced the budget for forest fire prevention and deforestation control personnel. A reduction of 58% reached the brigade teams³².

Government agencies such as INPE and IBAMA, responsible for deforestation monitoring have suffered funding cutoffs, dismissals and had their functions and increasing deforestation data publicly questioned and denied by the government³³.

The quantity of national parks and conservation units in the country's forests was already questioned by the government, that intended to extinguish those by decree³⁴, an unconstitutional action, after announcing the intention to review the conservation units law (SNUC) and the existing units³⁵. In addition, the former Minister of the Environment speaks publicly, in a video released during investigations, of his intention to take advantage of the Covid-19 pandemic to approve several controversial changes to environmental protection and avoid critics and Justice processes.

There are also several threats to the national environmental license process, which has existed since 1981, including from the Minister of the Economy, who wants to loosen the process to favor mining companies, even with the several recent cases of environmental crimes of breaches of poorly executed and maintained mining dams from companies in the country³⁶.

³¹ Available in <<https://www.theguardian.com/environment/2019/sep/09/amazon-fires-brazil-rainforest>> Last visited on 29/12/2020

³² Available in < <https://g1.globo.com/natureza/noticia/2020/09/12/em-um-ano-governo-bolsonaro-corta-verba-para-brigadistas-em-58.ghml>> Last visited on 29/12/2020

³³ Available in < <https://g1.globo.com/natureza/noticia/2019/08/02/cronologia-reacao-do-governo-ao-uso-de-dados-sobre-desmatamento-leva-a-exoneracao-de-diretor-do-inpe.ghml>> Last visited on 29/12/2020

³⁴ Available in <<http://www.ihu.unisinos.br/78-noticias/589958-em-live-bolsonaro-reclama-que-nao-consegue-extinguir-parques-por-decreto>> Last visited on 29/12/2020

³⁵ Available in <<https://www.oeco.org.br/noticias/ricardo-salles-quer-rever-todas-as-unidades-de-conservacao-federais-do-pais-e-mudar-snuc/>> Last visited on 29/12/2020

³⁶ Available in <https://brasil.elpais.com/brasil/2019/01/27/opinion/1548547908_087976.html> Last visited on 29/12/2020

Specialists affirm that, with the current pace of dismantling of the inspection structure and environmental legislation demonstrated since the first 6 months of the current government, the forest destruction can reach an irreversible limit in 4 to 8 years. Recent scientific researches show that if an area of 40% of the original forest gets deforested, the rest can't sustain the functioning of the tropical rainforest, and in this scenario, part of the forest may not be able to sustain itself. The Amazon has so far lost approximately 20% of its original coverage³⁷.

The development of REDD projects and a new culture of sustainable management and production, in addition to the profit from carbon credit sales, to encourage the maintenance of standing forest, goes against the non-environmental policy currently adopted by the country.

- **Analysis of chain of events leading to deforestation**

The analysis of chain events leading to deforestation within the reference region was based on the facts presented above, analyzing the relations between main deforestation agents, drivers and underlying causes that caused and most likely will lead to deforestation.

The project region is located in the Brazilian Deforestation Arch, a region of high vulnerability, deforestation risk and rate. Furthermore, it is a region of intense and traditional livestock activity, followed by a growing market. The historical deforestation that has been occurring over the past 15 years within the reference region has followed this same pattern.

Furthermore, location of deforestation usually occurs nearby already deforested areas, along rivers, and in low sloped areas. In addition, roads are an important driver explaining the location of future deforestation.

It is possible to relate the deforestation curve to the increase in livestock, agricultural and wood production in the region, all of which are growing. Those land-use changes are the main deforestation agents in the region. The profit from these products is also considerably higher than the production of other common products in the region, such as Brazil nuts and copaiba oil.

The socioeconomic conditions of the population of the region, the fact that it is predominantly dominated by large properties landowners (with political and historical contributions that made the region an important livestock and agricultural center), and the demographic growth implies the need for new infrastructure projects and the arrival of new habitants coming from other regions of the country, attracted by the favorable conditions of production in low-cost forested areas. This increases the pressure on the forests in the project area.

The project area is vulnerable to invasions and illegal deforestation, with a settlement in the northern boundary.

³⁷ Available in <<https://www.bbc.com/portuguese/brasil-48805675>> Last visited on 29/12/2020

The recent history of polemics and anti-environmentalism of the Brazilian government, in addition to not tackling the direct causes, minimizing monitoring and restrictions in critical environmental areas and no investments in sustainable management and farming methods end up influencing and even motivating deforestation, illegal occupation and non-compliance with environmental laws. There is no strong environmental policy, and even with good advances, Brazilian laws have gaps that allows to be taken advantage of by landowners, or the inspection mechanisms suffer dismantling by the interest parties, making the conservation of the extensive Brazilian biomes even more difficult.

- **Conclusion**

The conduction of the Step 3 and available evidence allows to analyze that the most likely future deforestation trend within the reference region and project area is conclusive.

The increasing deforestation rate, added to the region's cattle ranching and agricultural advancement, population increase, lack of effective governmental control and environmental planning are clear evidence that the overall trend in future baseline deforestation rates will be increasing, and this demonstrates the need for conservation measures that encourage a change in the business and production model in the region.

3.5 Additionality

The last version of the VT0001 VCS Tool for the demonstration and assessment of additionality in VCS Agriculture, Forestry and Other Land Use (AFOLU) must be applied for all project activities instances.

In additionality assessment, each instance shall determine the appropriate analysis method, whether to apply simple cost, investment comparison or benchmark analysis, according to STEP 2 of VCS VT001 v 3.0.

Instances may or may not include Sustainable Forest Management Plan, as described in Grouped Project Eligibility Criteria in section 1.4.

In case the project activity does not involve Sustainable Forest Management Plan:

- The instance should have financial, technical and scale consistent with the described in this PD, facing similar investments, technological and/or other barriers as the initial instance. As the VCS AFOLU project generates no financial or economic benefits other than VCS related income, the simple cost analysis (Option I) shall be applied.

In case the project activity includes a Sustainable Forest Management Plan:

- A new additionality and AFOLU non-permanence risk analyses shall be provided. In this case, the investment comparison analysis (Option II) or the benchmark analysis (Option III) of the Tool shall be used.

For the purpose of the present analysis, the VT0001 VCS Tool for the demonstration and assessment of additionality in VCS Agriculture, Forestry and Other Land Use (AFOLU) project activities, version 3.0 was applied below for the first project instance. This instance does not have a Sustainable Forest Management Plan.

Other instances shall perform the additionality analysis at the time of their inclusion in the monitoring report.

STEP 1. Identification of alternative land use scenarios to the AFOLU project activity

Sub-step 1a. Identify credible alternative land use scenarios to the proposed VCS AFOLU project activity.

As described in section above of the present VCS PD, and according to the applied methodological tool, the considered alternatives to the project activity are:

- Timber production
- Cattle raising
- Soybeans production
- Continuation of pre-project land use
- Project activity on the land within the project boundary performed without being registered as the VCS AFOLU project

These activities are considered credible alternatives, as shown by official data . Cattle raising and soybeans production are important economic activities in Brazil, especially in the south of Amazon, where the project is located, being an expressive deforestation agent. Meanwhile, timber production represents an important value of production from the municipalities in which the reference region is located.

The pre-project land use is the maintenance of the area as it is, without any activity and actions for conservation. Although no economic activities are carried out in the pre-project scenario, the area is exposed to invasions and illegal deforestation, as detailed in section 3.4.

The application of the project activity could be carried out on the land within the project boundary, nevertheless performed without being registered as the VCS REDD project. This scenario would include avoiding deforestation through security and monitoring installation. Additionally, complementary activities to improve the monitoring of deforestation caused by the agents (identified in section 3.4 above) would have to be carried out, such as: increased surveillance, monitoring and control by satellite images, REDD+ technical studies, social and environmental activities promoted by the SOCIALCARBON or CCB Standards, among others. These investments are usually not made by the Brazilian Government, nor are part of sustainable forest management plans, as they are financially unattractive and not necessary to legally perform the

timber harvest. Therefore, the economic feasibility of this scenario would be reduced without additional revenues from the sale of VCUs.

Sub-step 1b. Consistency of credible land use scenarios with enforced mandatory applicable laws and regulations

Timber production:

Timber production may be authorized in the Amazon as long as the property has an approved Sustainable Forest Management Plan and an Exploration Authorization (AUTEX) issued by the Brazilian Environmental Agency. Furthermore, the land shall follow the Brazilian Federal Law 12,651/2012, that classifies at least 80% of the property located in the Amazon biome as Legal Reserve, which restricts the activities that could be developed in the area. In addition, there are other mandatory restriction regulations that limits the legal exploring area, such as the Permanent Preservation Areas.

The landowner of the project area has no timber production in the area but demonstrated interest in issuing an authorization in the absence of the present project activity.

However, Brazilian legislation and other legal restrictions are not enough to prevent the illegal deforestation of the Brazilian Amazon Rainforest, which is a common practice in the country. According to INPE , the estimated deforestation rate (complete removal of primary forest cover by clear cutting, regardless of the future use of these areas) between August 2018 and July 2021 were at the highest rates since 2008, a significant increase over the rate calculated during the previous annual period. The State of Mato Grosso was the second State with the highest deforestation rate within the biome between 2006 and 2020.

Furthermore, almost 90% of deforestation in the Amazon biome within the State of Mato Grosso in the last 12 years was illegal .

Thus, the Project area is exposed to legal and illegal timber activity, which is a common practice in the region; moreover, the related environmental legislation are systematically not enforced.

Cattle raising

Cattle raising in the Amazon Forest is legal as long as the owner follows the 80% Legal Reserve and Permanent Preservation Areas restriction described in the Brazilian legislation, as explained above. The landowner must also provide a deforestation authorization for clearing the area for pasture. Therefore, livestock in the region is legalized.

According to IPAM , rural credit is the main funding for the Brazilian livestock production and is essential in the transition to sustainable land use, but in the Amazon area, it is used for conventional practices and activities, associated with deforestation. Despite the fact that, since 2014, the Brazilian Central Bank demands an assessment of socio-environmental risks from banks to approve public financing , and the existence of credit and financing opportunities for sustainable practices and producers in compliance with environmental laws, conventional

livestock still represents 20% of the conversion of forest coverage to pasture and other agricultural crops . These practices are still used mainly due to its low implementation costs and maintenance, along with non-intensive use of labor, and as long as it's held in areas with legal authorization, are legal, although inefficient, with low productivity and high environmental impact .

Soybeans production

The state of Mato Grosso is the largest producer and exporter of Brazilian soy. Between 2012 and 2017, around 27% of all deforestation in Mato Grosso took place within soy farms – and 95% of these actions were illegal .

It is estimated that more than 80% of the soy grown on farms where there was unlicensed deforestation went to international markets, mainly China and the European Union. The high prices of soybeans is an important driver of conversion of new lands for agricultural production.

Continuation of pre-project activity:

The pre-project activity consists of no activities to be developed within the area, which is in compliance with the Brazilian environmental laws.

Project activity on the land within the project boundary performed without being registered as the VCS AFOLU project

The conservation of the forest, monitoring and surveillance are in compliance with the Brazilian environmental laws.

Thus, all the land uses listed under sub-step 1a are retained in 1b, being either in accordance with the law or a widespread illegal practice in respect to which the law is not enforced.

Outcome of substep 1b:

List of plausible alternative land use scenarios to the VCS AFOLU activity that are in compliance with mandatory legislation and regulations taking into account their enforcement:

- Timber extraction;
- Cattle raising;
- Soybeans production;
- No activities.
- Project activity without VCS registration

Sub-step 1c. Selection of the baseline scenario

The project area held no activity in the baseline scenario. There are no economic activities implemented in the area, nor exploration of non-timber forest products (NTFPs) or other land use activities.

Therefore, the lack of presence and monitoring of the area makes it exposed to invasions and illegal deforestation, without any control of the activities carried out within the area.

The identified agents and drivers, combined with underlying causes present in the region, will most likely continue to cause deforestation in the future, and therefore the continuation of the current (pre-project) land use scenario was defined as the most plausible baseline scenario. The future trend for baseline scenario is that deforestation rate in the reference region will probably increase, as verified during the historical reference period.

STEP 2. Investment analysis

Sub-step 2a. Determine appropriate analysis method

Sub-step 2b. Simple Cost Analysis

The simple cost analysis was determined as the appropriate analysis method once the Project instance does not generate any financial or economic benefits other than VCUs related income. There is no for-profit sale of any products and there is no NTFPs or timber production in the area.

According to the additionality tool applied: If it is concluded that the proposed VCS AFOLU project produces no financial benefits other than VCS related income then proceed to Step 4 (Common practice analysis).

STEP 4. Common practice analysis

Given that no financial benefits were found in the results of the simple cost analysis, the following step according to the VCS additionality tool is the common practice analysis.

The practice of conservation of privately-owned forest areas in the Mato Grosso State as a whole, is extremely rare. Conservation activities are usually made in public areas, such as Conservation Units, federal and state protected areas.

In the Verra Registry , there are around 25 REDD projects registered in Brazil, some of them located in the State of Mato Grosso, however all of them in the north of the State and far from the project area.

In conclusion, the development of a carbon project is not a common practice in the area, and those that exist have essential distinctions between them and the present VCS AFOLU activity.

In addition to REDD projects, other forms of conservation of private areas are promoted in the country:

- **Private Reserve of Natural Heritage (RPPN):** it is a category of conservation unit created voluntarily by the landowner. When the area is categorized as RPPN, the owner is committed to nature conservation, without land expropriation. The benefits of the private reserve are preference in the analysis of applications to acquire rural credit, tax benefits and the possibility of cooperation with private and public entities in the protection, and management of the land. There are no RPPNs close to the

project area, and other RPPNs in the State are much smaller properties compared to the project area.

- **Payment for Environmental Services (PSA):** PSA is a voluntary transaction, with the main objective of providing economic incentives to owners of rural or urban properties that have natural areas capable of providing environmental services. Many law projects are in discussion in Brazil's National Congress, and some federal laws mention the service, but currently there is no valid regulation in the entire country. However, there are few programs that benefit landowners. The search for investment and payment for these areas is up to the owners, usually being agreed with banks or private companies, without government participation.

For the aforementioned reasons of the essential difference between the present project instance and similar projects in the area, the proposed VCS AFOLU project activity is not the baseline scenario, and hence it is additional.

3.6 Methodology Deviations

4 QUANTIFICATION OF GHG EMISSION REDUCTIONS AND REMOVALS

5 MONITORING

APPENDIX