

**1 INTERNAL RISK**

Project Management		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Not Applicable. Risk factor refers to tree planting associated with stocks on which GHG credits have previously been issued. Reforestation carried out under the project is a leakage mitigation activity and credits are not issued on stocks created.	0
b)	Boundary lines are observed by neighbors. Management of plots by owners living on site, and the absence of neighboring settlements, removes risk of small-scale encroachment, itself not affecting 50% of stocks.	0
c)	Management team is led by Guyra Paraguay, the project implementer. Guyra Paraguay is, collectively, highly experienced in protected area management, the principal intervention strategy of the project. The organization has a proven track record in the application of this strategy, with most key individuals occupying senior and management roles having experience in excess of 5 years. However, the Biodiversity Expert was changed and the new one did not have 5 years of experience. However, the effect on the project is mitigated by access to experienced biologists as the Executive Director and other researchers from Guyra Paraguay with proven experience in biodiversity issues	2
d)	The key project staff are based at the Guyra Paraguay head office in Asuncion. The project site can be reached in 8 hours by road.	0
e)	The combined WLT-Guyra Paraguay management team has prior experience in AFOLU project design through successfully managing this project through CCBA validation and “The Paraguay Forest Conservation Project Reduction of GHG emissions from deforestation and forest degradation in the Chaco-Pantanal ecosystem” through VCS validation and verification and CCBA validation.	-2
f)	Governance structures and principles for the implementation of an adaptive management plan is in place and a plan is to be drawn up. This plan will identify, assess and create a mitigation plan for potential risks to the project and will count as a risk mitigation measure at future project verifications.	0
<b>Total Project Management (PM) [as applicable, (a + b + c + d + e + f)]</b>		<b>0</b>
Total may be less than zero.		

Financial Viability		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Project cash flow breakeven point is greater than 10 years from the current risk assessment.	
b)	Project cash flow breakeven point is between 7 and 10 years from the current risk assessment.	
c)	Project cash flow breakeven point is between 4 and 7 years from the current risk assessment.	
d)	<p>Project cash flow breakeven point is less than 4 years from the current risk assessment.</p> <p>The project proponent is committed to funding according to an agreed payment Schedule (VCS - PD Annex 1). Annual cash flow is thus provided from the outset and through the project life.</p> <p>In addition, the proponent have provided a letter to the auditors to confirm the financial health of the Company (Annex 13)</p>	0
e)	Project has secured less than 15% of funding needed to cover the total cash out before the project reaches breakeven.	
f)	Project has secured 15% to less than 40% of funding needed to cover the total cash out before the project reaches breakeven.	
g)	Project has secured 40% to less than 80% of funding needed to cover the total cash out before the project reaches breakeven.	
h)	<p>Project has secured more than 80% of funding needed to cover the total cash out before the project reaches breakeven.</p> <p>The project proponent is committed to funding according to an agreed payment schedule – given as VCS - PD Annexe 1. Therefore, annual cash flow is provided from the outset and through the project life. VCS - PD Annexe 42: Agreement on Change of Budget Plan Letter).</p>	0
i)	<p>Mitigation: Project has available as callable financial resources at least 50% of the total cash out before the project reaches breakeven.</p> <p>Because of the financial structure, callable financial resources are available for each year from the outset.</p>	-2
<b>Total Financial Viability (FV) [as applicable, ((a, b, c or d) + (e, f, g or h) + i)]</b> Total may not be less than zero.		<b>0</b>

Opportunity Cost		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	NPV from the most profitable alternative land use activity is expected to be at least 100% more than that associated with project activities; or where baseline activities are subsistence-driven, net positive community impacts are not demonstrated.	
b)	NPV from the most profitable alternative land use activity is expected to be between 50% and up to 100% more than from project activities.	
c)	NPV from the most profitable alternative land use activity is expected to be between 20% and up to 50% more than from project activities.	
d)	Net positive community benefits are demonstrated through the CCBA validation of the project. (CCB – PDD Annex 26: the validation statement)	0
e)	NPV from project activities is expected to be between 20% and up to 50% more profitable than the most profitable alternative land use activity	
f)	NPV from project activities is expected to be at least 50% more profitable than the most profitable alternative land use activity	
g)	<b>Mitigation:</b> Project proponent is for-profit corporate, here acting for voluntary corporate social responsibility motives. Guyra Paraguay (project implementer) is a non-profit.	0
h)	<b>Mitigation:</b> Project is protected by legally binding commitment (see Section 2.2.4) to continue management practices that protect the credited carbon stocks over the length of the project crediting period	
i)	<b>Mitigation:</b> Project is protected by legally binding commitment (see Section 2.2.4) to continue management practices that protect the credited carbon stocks over at least 100 years	
<b>Total Opportunity Cost (OC) [as applicable, (a, b, c, d, e or f) + (g + h or i)]</b> Total may be less than 0.		<b>0</b>

Project Longevity		
a)	Payments for Ecosystem Service contract, whereby payments are made for the conservation of forest, include options for renewal to 30 years (24-(30/5)).	18
b)		
<b>Total Project Longevity (PL)</b> May not be less than zero		<b>18</b>

Internal Risk	
<b>Total Internal Risk (PM + FV + OC + PL)</b> Total may not be less than zero.	<b>18</b>

**2 EXTERNAL RISKS**

Land Tenure and Resource Access/Impacts		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)		
b)	Ownership and resource access/use rights are held by different entity(s) INDERT currently holds the land title while the occupants hold resource access and use rights. However, an occupant is able to take full ownership of his/her plot through paying a scheduled, nominal amount. The project is structured to ensure that 25% of the PES payment goes towards paying this amount until it is fully paid and each project participant will be enabled to take full ownership of his / her plot during the project life time.	2
c)	Not Applicable. No land tenure or ownership conflicts exist	0
d)	Not Applicable. No land tenure or ownership conflicts exist.	0
e)	Not Applicable. Not a WRC project.	0
f)		
g)	Not Applicable. No land tenure or ownership conflicts exist.	0
<b>Total Land Tenure (LT) [as applicable, ((a or b) + c + d + e + f + g)]</b> Total may not be less than zero.		<b>2</b>

Community Engagement		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	No parties live within the project area.	
b)	All parties who are reliant on the project area and additionally the majority of the community at La Amistad have been consulted (Annex 14).	
c)	The project generates net positive impacts on the social and economic wellbeing of the local communities who derive livelihoods from the project area CCBA Validated 06/12/2010.	-5

<b>Total Community Engagement (CE) [where applicable, (a + b + c)]</b> Total may be less than zero.	<b>-5</b>
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Political Risk		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)		
b)	Governance score using the latest version of the World Bank Worldwide Governance Indicators of -0.45 for the monitoring period (Annex 24: WBI World Governance Indicator Calculation V7).	4
c)		
d)		
e)		
f)	Paraguay is in receipt of UN-REDD funding, has a Designated National Authority under the CDM and has a CDM Afforestation/Reforestation project (Paraguari). In addition, Paraguay has been part of the FCPF since 2008, and in September 2017 the PRODOC to implement the Forests for Sustainable Growth Project was signed.	-2
<b>Total Political (PC) [as applicable ((a, b, c, d or e) + f)]</b> Total may not be less than zero.		<b>2</b>

External Risk	
<b>Total External Risk (LT + CE + PC)</b> Total may not be less than zero.	<b>0</b>

### 3 NATURAL RISKS

Fire	
<b>Significance</b>	Every 10 to less than 25 years.
<b>Likelihood</b>	Minor (5% to less than 25% loss of carbon stocks)
<b>Score (LS)</b>	2
<b>Mitigation</b>	0,25
<b>Justification</b>	As the area contains natural grasslands natural fires are normal and fires are also caused by traditional soil preparation practices for livestock and agriculture. However, these fires occur in grasslands, and normally they do not impinge on

	<p>the forest which resists because of its intrinsic characteristics, which hampers the progress of the fire.</p> <p>The Forest Fire Brigade of Alto Vera (with its own headquarters on the site) prevents and mitigates fires in the area (along with the Indigenous Forest Fire Brigade). Additionally, the SEN (Secretariat of National Emergency), an emergency risk round table, operates at national level.</p> <p>There is a control and prevention program that is executed by the community brigades which have the training and equipment needed. Besides maintaining fire lines, weather monitoring and the communication of the fire risk status in the area is performed. Fires are prevented, controlled and managed effectively.</p>
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Pest and Disease Outbreaks	
<b>Significance</b>	Insignificant (less than 5% loss of carbon stocks) or transient (full recovery of lost carbon stocks expected within 10 years of any event)
<b>Likelihood</b>	Every 50 to less than 100 years
<b>Score (LS)</b>	0
<b>Mitigation</b>	0,5
<b>Justification</b>	<p>There are no recorded pests or diseases that attacked the La Amistad forest or the nearby forests of the reserve San Rafael. There are no known invasive species of invertebrates and insects that can be considered a major threat, partly because there are no specific studies since there are no reports of potential threats; although some non-native species of vascular plants can become invasive and gain some ground. However, the risk is not high, provided that species diversity is maintained and no physical changes affecting the temperature, the amount of light and other characteristics of forests are made. This applies generally in similar forested areas in the Selva Central ecoregion where the forest has analogous diversity and species composition.</p> <p>As way to monitor that the risk remains low Guyra Paraguay is part of a Forest Health Project with Argentina, Bolivia, Brazil, Chile, Paraguay and Uruguay consisting of a regional strategy, a plan of action, mechanisms to exchange information, cooperate and to share knowledge and develop solutions. This system will be aware of what is happening in the region and give early warning of an outbreak. In addition to having a list of specialists who can work towards solving any problem.</p> <p>Therefore, we can say that, based on the absence of previous cases of outbreak and the system for monitoring the health of forests, the risk is low.</p>

Extreme Weather	
<b>Significance</b>	Insignificant (less than 5% loss of carbon stocks) or transient (full recovery of lost carbon stocks expected within 10 years of any event).
<b>Likelihood</b>	Less than every 10 years.
<b>Score (LS)</b>	2
<b>Mitigation</b>	1
<b>Justification</b>	<p>Itapua is a department that has numerous storms. It is also one of the departments with the highest average annual rainfall in the area.</p> <p>Additionally, in general it is undeniable that thunderstorms negatively affect forests, strong winds fell mature and sick trees. This is evident along paths accessing the properties of Guyra Paraguay in San Rafael and where roads are hampered by mature fallen trees. However, this is relatively normal in these types of habitats, storms in the area are moderate and the effect is transient.</p> <p>In the case of La Amistad, the negative effects are not as severe as in other areas of the reserve area. So it is not considered that this risk is significant for the purposes of this evaluation.</p> <p>In terms of mitigation, it is important to note that there is an early warning system, used to warn people about the weather in the area and nationally. This avoids accidents and inconveniences related to communication and accessibility.</p>

Geological Risk	
<b>Significance</b>	No loss.
<b>Likelihood</b>	Once every 100 years or more, or risk is not applicable to the project area.
<b>Score (LS)</b>	0
<b>Mitigation</b>	1
<b>Justification</b>	No occurrence.

Other Natural Risk	
<b>Significance</b>	No loss.
<b>Likelihood</b>	Once every 100 years or more, or risk is not applicable to the project area.
<b>Score (LS)</b>	0
<b>Mitigation</b>	1
<b>Justification</b>	None identified.

Score for each natural risk applicable to the project (Determined by (LS × M))	
Fire (F)	0,5
Pest and Disease Outbreaks (PD)	0
Extreme Weather (W)	2
Geological Risk (G)	0
Other natural risk (ON)	0
<b>Total Natural Risk (as applicable, F + PD + W + G + ON)</b>	<b>2.5</b>

#### 4 OVERALL NON-PERMANENCE RISK RATING AND BUFFER DETERMINATION

##### 4.1 Overall Risk Rating

Risk Category	Rating
a) Internal Risk	18
b) External Risk	0
c) Natural Risk	2.5
<b>Overall Risk Rating (a + b + c)</b>	<b>20.5</b>



**4.2 Calculation of Total VCUs**

Year	Estimated baseline emissions or removals (tCO <sub>2</sub> e)	Buffer %	Buffer PLANNED
2010-11	862	20.50%	177
2011-12	894	20.50%	183
2012-13	949	20.50%	195
2013-14	1058	20.50%	217
2014-15	1721	20.50%	353
2015-16	2160	20.50%	443
2016-17	2233	20.50%	458
2017-18	2307	20.50%	473
2018-19	2380	20.50%	488
2019-20	2454	20.50%	503
2020-21	2497	20.50%	512
2021-22	1689	20.50%	346
2022-23	1689	20.50%	346
2023-24	1675	20.50%	343
2024-25	1584	20.50%	325
2025-26	932	20.50%	191
2026-27	495	20.50%	102

2027-28	422	20.50%	86
2028-29	353	20.50%	72
2029-30	284	20.50%	58
<b>Total</b>	<b>28,636</b>		<b>5870</b>

This table gives the full breakdown of baseline emissions before deductions, the uncertainty deduction, baseline emissions after the uncertainty deduction, project emissions, leakage emissions, Net GHG emission reductions before the risk buffer deduction, emissions reductions withheld in risk buffer and Net GHG emission reductions or removals after the risk buffer deduction (VCUs).

Year	Estimated baseline emissions or removals (tCO <sub>2</sub> e) (ΔCBSL)	Estimated project emissions or removals (tCO <sub>2</sub> e) (ΔCP)	Estimated leakage emissions (tCO <sub>2</sub> e) (ΔCLK)	Estimated net GHG emission reductions or removals (tCO <sub>2</sub> e) (CREDD, t)	Uncertainty deduction	Adjusted CREDD, t	Emissions reductions withheld in risk buffer (t CO <sub>2</sub> -e) (Buffer PLANNED)	Net GHG emission reductions or removals after risk buffer deduction (tCO <sub>2</sub> e) - VCUs
2010-11	862	0	66	796	40	756	177	580
2011-12	894	0	66	828	41	787	183	604
2012-13	949	0	67	882	44	838	195	643
2013-14	1,058	0	69	977	49	928	217	723
2014-15	1,721	0	68	1,509	83	1,434	353	1,218
2015-16	2,160	55	90	2,043	101	1,941	443	1,471
2016-17	2,233	325	41	2,113	93	2,007	458	1,316
2017-18	2,307	0	6	2,182	115	2,073	473	1,713
2018-19	2,380	0	6	2,252	119	2,139	488	1,768

2019-20	2,454	0	6	2,322	122	2,206	503	1,823
2020-21	2,497	0	6	2,361	125	2,243	512	1,855
2021-22	1,689	0	6	1,549	84	1,472	346	1,253
2022-23	1,689	0	6	1,545	84	1,468	346	1,253
2023-24	1,675	0	6	1,527	83	1,451	343	1,242
2024-25	1,584	0	6	1,445	79	1,373	325	1,175
2025-26	932	0	6	888	46	844	191	689
2026-27	495	0	6	456	24	433	102	364
2027-28	422	0	6	386	21	367	86	309
2028-29	353	0	6	320	17	304	72	257
2029-30	284	0	6	255	14	242	58	206
<b>Total</b>	28,636	380	540	26,636	1,405	25,306	5,870	20,459