

# **Plan Vivo Approved Approach**

## **Assessing Risk and Setting the Risk Buffer**

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## AA4 – Assessing Risk and Setting the Risk Buffer

Projects are required under the Plan Vivo Standard to define a non-permanence risk buffer, the size of which should be set based on an analysis of the risks associated with carbon credits generated by the project. Where a project is registering credits from different types of project intervention a separate risk buffer should be defined for each intervention. The overall risk can be assessed through consideration of the types of characteristics in the table below.

Type of risk	Description
Target group selection	Does the selection of target groups include a risk assessment?
Producer communication and training	How does the project inform communities of their responsibilities of selling carbon credits? What level of training/technical support does the project provide for communities?
Monitoring	Is the monitoring programme sufficient to verify monitoring targets given in the technical specifications?
Permanence	What is the risk of failure or reversal of activities being promoted by the project? Where credits are issued ex-ante are the assumptions regarding viability over the crediting period realistic? Are mechanisms used by the project to encourage permanence likely to be effective?
Leakage	What are the most likely causes of leakage? Do the project activities set out to significantly reduce these risks?
Internal audits	Does the project carry out any form of internal audit to check performance and identify areas of weakness?

For REDD projects using ‘ex-ante’ climate benefit accounting there is a risk that expected emission reductions will not be achieved and/or that emission reductions that are achieved may only be maintained temporarily. Projects must therefore determine a risk buffer based on assessment of both of these types of risk.

### Step 1 – Identify threats

Use similar questions as shown in the example table above to identify the main risks of non-delivery and non-permanence of climate benefits for the project in each of the categories listed below. For each of the identified risks, assess the impact on climate benefits if the risk is realised, and the likelihood that the risk will be realised. A justification for the assessment should be provided, along with a description of any actions the project will take to mitigate the risks in the form of a risk matrix.

#### Social

- Land tenure and/or rights to climate benefits are disputed
- Political or social instability
- Community support for the project is not maintained

#### Economic

- Insufficient finance secured to support project activities
- Alternative land uses become more attractive to the local community
- External parties carry out activities that reverse climate benefits

#### Environmental

- Fire
- Pest and disease attacks
- Extreme weather or geological events

**Technical**

- Project activities fail to deliver expected climate benefits
- Project activities fail to deliver expected livelihood benefits
- Technical capacity to implement project activities is not maintained

**Administration**

- Capacity of the project coordinator to support the project is not maintained

**Step 2 – Prepare a risk matrix**

Prepare a matrix for the project intervention using the following categories of risk

Category	Description of risk	Likely impact (H/M/L)	Likelihood (H/M/L)	Justification	Mitigating action
Social					
Economic					
Environmental					
Technical					
Administrative					

**Step 3 - Set the risk buffer**

The risk buffer that will be maintained for the project intervention depends on the level of risk as determined in the risk matrix and on whether the Plan Vivo certificates are being issued ‘ex-ante’ or ‘ex-post’. ‘Ex-ante’ credits are issued where activities have already been carried out but where the climate services have not yet been delivered. For example tree planting projects where trees have been planted but where they have not yet sequestered carbon. Project interventions for which ‘ex-ante’ credits are issued are inevitably more risky than those for which credits are issued ‘ex-post’. The table below gives the range within which the risk buffer will lie for different types of project. A risk buffer proportional to the identified risks can be determined from this table.

For community-based REDD projects including projects for reducing locally-driven deforestation the risk is considered medium. The main risk of such projects is one of permanence because reduced levels of deforestation may be achieved for a period but cannot be guaranteed indefinitely. As a result, where credits are issued ‘ex-ante’ there should be a risk buffer of minimum 20% for community based-REDD type projects and for ‘ex-post’ issuance a minimum of 10%.

Risk	Ex-Ante Credits	Ex-Post Credits
Low	10-20%	5-10%
Medium	20-40%	10-20%
High	40-60%	20-40%

## **FREQUENTLY ASKED QUESTIONS**

Note that these questions refer to projects for reducing locally-driven deforestation only.

**FAQ 1:** Is it necessary to lay-out and measure sample plots in the forest during preparation of the PDD?

**Answer 1:** No it is not necessary and is rather discouraged by Plan Vivo because it will lead to project resources going into monitoring rather than activities that benefit communities more directly. Baseline carbon stock can usually be estimated by other means (e.g. using secondary information – which needs to be referenced and validated) and the preferred monitoring method is a combination of activity-based monitoring with verification by remote sensing after 5 years. However there may be situations where projects may choose to lay out sample plots (possibly for other reasons). In this case the sample plot data can be used in the PDD and for monitoring.

**FAQ 2:** Project activities started several years ago (before preparing the PDD). Will it be possible to claim for climate benefits that were generated before Plan Vivo validation?

**Answer 2:** Not normally. Project benefits can usually only be claimed starting from the date of Plan Vivo validation at the earliest. If registration with Plan Vivo, activities to reduce deforestation, and the historical baseline period all precede Plan Vivo validation then a case could be made for backdating claims – however in this case a strong justification is required and this should be discussed and agreed with Plan Vivo before final submission of the PDD.

**FAQ 3:** Climate benefits have been quantified over a 10 year period. Can the project claim ex-ante benefits for this period?

**Answer 3:** No – not initially. Community-based REDD-type projects are based on several assumptions and estimates. Payments will therefore be based on an initial 5-year crediting period at which point verification of the climate benefits up to that point will be needed. This may result in some modifications to the Technical Specification and based on this a further crediting period of 5 years can be started. At this stage it is not possible for Plan Vivo to make any commitments beyond 10 years, although there is certainly potential for a project to be extended beyond 10 years, this will need to be discussed during the second crediting period.

**FAQ 4:** In part of the forest that is already highly degraded (open land) the community plan to plant trees to regenerate the forest and produce various products e.g. fruit, NTFPs etc. Can this area be included in the technical specification for reducing locally-driven deforestation?

**Answer 4:** No. This area should be excluded from the area covered by the project intervention for reducing locally-driven deforestation. A separate technical specification can be prepared for this tree-planting area and submitted as part of the same PDD.

**FAQ 5:** Locally applicable information about growing stock or biomass for the forests in the project area does not seem to be available. How can I estimate the initial forest carbon stock?

**Answer 5:** Since this is expected to be an estimate of forest carbon stock secondary information can be used. It is expected that most projects will use available remote-sensing based carbon maps if existing inventory data is not available, as described in AA2. If these are not thought of sufficient

quality for the area, it is possible to use national statistics on growing stock for forests with different canopy density classes. If (for example) you know the canopy density of the forest (from remote sensing) then you can estimate the carbon stock based on a fully-stocked forest of similar type.