The Climate Action Reserve
Mexico Forest Project Protocol
September, 2013
Overview

The protocol will produce high quality carbon credits from forest projects in Mexico. Projects will provide assurances for environmental and social benefits and allow for a diversity of management activities to be included.

- Designed to be thorough, accurate, and practical

The project guidance addresses enhancement activities only and is designed for ease of reconciliation with future jurisdictional accounting.

- Ultimate goal is to serve as ‘nested project’ guidance.

Reserve will ‘road test’ protocol guidance with 2-3 pilot projects before expanding to generalized use. Pilot projects will seek partnership with public investment into restoration activities.
**Stakeholder Process**

Process initiated in June, 2010  
**13 Meetings in Mexico to Date**

**Stakeholder Participants:**

<table>
<thead>
<tr>
<th>Organization</th>
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<tbody>
<tr>
<td>Alianza para la Conservación Sierra Gorda</td>
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<td>Alianza de Ejidos y Comunidades Forestales Certificados de Mexico</td>
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<td>Ambio</td>
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<td>Apoyo y Servicios a la Comercializacion Agropecuaría</td>
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<td>Baker &amp; McKenzie</td>
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<td>Border Environment Cooperation Commission</td>
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<td>Centro Mexicano de Derecho Ambiental</td>
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<td>Comision Nacional Forestal</td>
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<td>Consejo Civil Mexicano para la Silvicultura Sostenible</td>
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<td>EcoLogic Development Fund</td>
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<td>Environmental Defense Fund</td>
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<td>Gold Standard</td>
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<td>Governors’ Climate and Forests Taskforce</td>
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<td>Natura Proyectos Ambientales</td>
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<td>Profepa</td>
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<td>Pronatura Mexico</td>
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<td>Pronatura Sur</td>
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<td>Rainforest Alliance</td>
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<td>Reforestamos Mexico</td>
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<td>Scientific Certification Systems</td>
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<td>Servicios Ambientales de Oaxaca</td>
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<td>South Pole Carbon Asset Management</td>
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<td>Terra Global Capital</td>
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<td>The Nature Conservancy</td>
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<td>Universidad Nacional Autónoma de México</td>
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<td>Verified Carbon Standard</td>
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<td>World Wildlife Fund</td>
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Protocol Major Elements

- Applies to ejidos, communities, and other private landowners throughout Mexico
- Multiple enhancement activities eligible under one project
- Standardized inventory and sampling methodologies
- Standardized baseline and accounting methods
- Requirement for permanence
- Requirements for environmental and social safeguards
Standardized Inventory Methodologies

- Standardized inventory and sampling methodology:
  - Stratification into vegetation and land use classes, consistent with CONAFOR planning strategies
  - Plot location, intensity, and selection
  - Measurements and regression estimators
  - Biomass equations to be provided
  - Inventory updates

- Inventory efficiencies provided through
  - Programmatic approach to assessing uncertainty (reduces costs to individual projects)
  - Extensive inventory (for broad monitoring of leakage and safeguards) versus Intensive Inventory (for carbon accounting)
Forest Project Activities

- ‘Territorial’ baseline enables a variety activities that increase sequestration to be included with one baseline approach
  - Conservation
  - Reforestation/afforestation
  - Improved forest management
  - Agroforestry
  - Urban forests
Project Baseline
Trend Analysis

• Trend analysis determined based on risk and trend analysis based on evidence within project area:
  ➢ Area of original forest cover remaining.
  ➢ Canopy cover in existing forest cover.
  ➢ Area of forest cover in young trees.

• Trends extended for crediting period (20-years)

• Baseline can be adapted to inclusion of additional activity areas over time.
Project Baseline
Adaptable to a variety of forest cover types

Baseline is adaptable by allowing enhancement activities from a variety of forest cover types to be included. Additional enhancement activities can be added into the project over time with an adjustment to the project baseline.

Inventory Example

<table>
<thead>
<tr>
<th>Land Use</th>
<th>CO2e Tonnes/Hectare (Trees)</th>
<th>Hectares</th>
<th>Total Tonnes CO2e (Trees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mature/Primary Forests</td>
<td>180</td>
<td>2,000</td>
<td>360,000</td>
</tr>
<tr>
<td>Young/Secondary Forests</td>
<td>100</td>
<td>3,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Grazing</td>
<td>35</td>
<td>1,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Agroforestry</td>
<td>30</td>
<td>2,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Urban Trees</td>
<td>10</td>
<td>1,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Deforested landscapes</td>
<td>30</td>
<td>2,000</td>
<td>60,000</td>
</tr>
<tr>
<td><strong>Sum/Baseline</strong></td>
<td><strong>385</strong></td>
<td><strong>11,000</strong></td>
<td><strong>825,000</strong></td>
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</tbody>
</table>
Project Baseline

Example

Initial carbon inventory within initial Activity Areas

Removals

Additional Activity added within Project Area. Baseline adjusted based on carbon inventory in activity area added.

Baseline

Years

0

20
Additionality and Crediting Period

• Project carbon stocks must exceed baseline

• Baselines must incorporate all legal requirements, including any requirements to:
  ➢ Reforest
  ➢ Preserve forests
  ➢ Constrain management

• Baselines are established for 20 years - (20-year crediting period)
Permanence

- Credits based on portion of 100-year permanence period tonnes are secured (tonne year accounting).
  - 1 tonne secured for 100 years is credited at 100%
  - 1 tonne secured only by annual monitoring is credited at 1% per year.

- Short term secured tonnes accrue substantial annual additional payments over time, serving as a strong incentive for prolonged permanence.

- **Unavoidable Reversals** (fire, wind, etc.) are compensated from buffer pool administered by Reserve

- **Avoidable Reversals** (Over-harvesting) are managed through contractual agreement and mitigating risk through building incentives.
Environmental Safeguards

• Explicit environmental safeguards address continued forest cover, protection of high conservation value forest stands, and support for sustained natural ecosystems within Project Area (not just Activity Areas):
  ➢ Maintenance /Increase of standing live and dead carbon inventories over the project life.
  ➢ Management for native species.
  ➢ Protection of forested areas identified as High Conservation Value (by CONAFOR)
  ➢ Quantification guidance facilitates monitoring.
Social Safeguards

• Explicit social safeguards address transparency, participation, and project governance

- Community decision-making incorporated into decisions of project activities and distribution of benefits.

- Requirement for community process to identify Project Coordinator and process for determination of term.

- Requirements for periodic meetings, with publically-available meeting notes, to present and discuss project activities.
Accounting for Leakage

• Leakage risk to be quantified within Project Area based on Extensive Inventory.

• Offsite leakage calculated through standardized estimate.

• Leakage estimates deducted from project crediting.
Monitoring and Verification

- Standardized quantification information systems developed by the Reserve will include standardized monitoring templates that will help manage reporting costs.

- Third-party verification required
  - Site-visit required at first verification for all projects
  - Site-visit required for each project once every 5 years
    - Credits are verified annually based on interim desktop review

- Verifiers must be accredited and approved by the Reserve.
Pilot Projects and Ongoing Activities

• Reserve is partnering with NGOs, CONAFOR, CONABIO, and ejidos/communities in the states of Oaxaca and Mexico to field validate the protocol.

• Reserve will provide assistance to NGOs and ejidos/communities in capacity building efforts.

• Reserve is developing data management systems and automated reporting tools.