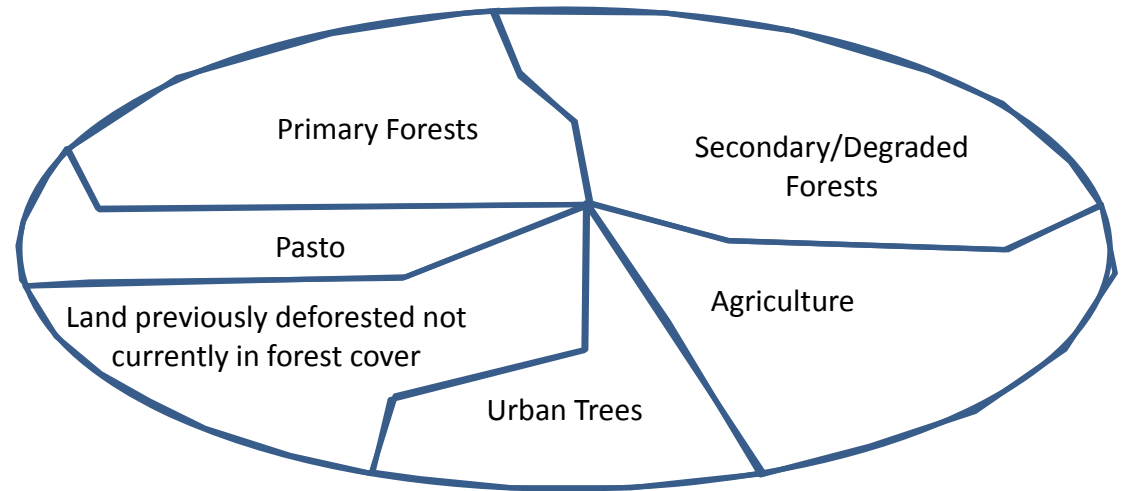


Project-Level Baselines

A forest ownership is a collection of different landscapes resulting from environmental conditions and management activities

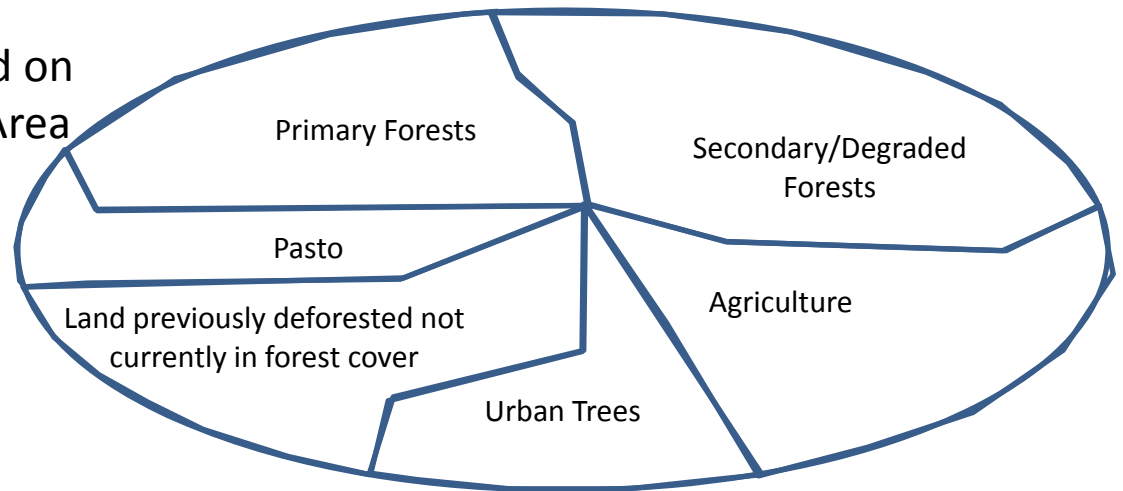


In carbon terms, we can think of a project as independent activities. Each activity would require an independent baseline analysis

Land Use	Activity (Examples)
Primary Native Forests	Avoided Deforestation
Secondary/Degraded Native Forests	Sustainable Forest Management
Pasto	Improved Grazing
Agriculture	Agroforestry/no till Agriculture
Urban Trees	Afforestation
Land previously deforested not currently in forest cover	Reforestation/Afforestation

Project 'Territorial Baseline' Step 1

A 'Territorial Baseline' could be based on the Sum of Existing Stocks in Project Area (Ejido for Example), Adjusted for Deforestation Risk

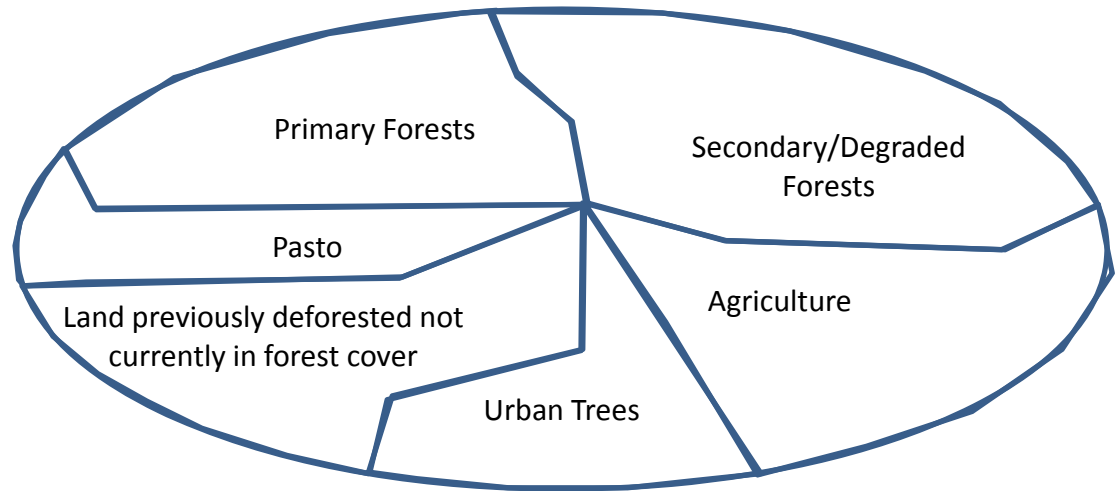


Step I- Determine Inventory

Land Use	CO2 e Tonnes/Hectare	Hectares	Total Tonnes CO2e
Primary Forests	180	2,000	360,000
Secondary/Degraded Forests	100	3,000	300,000
Pasto	35	1,000	35,000
Agriculture	30	2,000	60,000
Urban Trees	10	1,000	10,000
Reforestation/Afforestation	30	2,000	60,000
Sum/Baseline	385	11,000	825,000

Project 'Territorial Baseline' Step 2

Deforestation risk can be defined through a standardized deforestation driver analysis



Step II- Determine what portion of the inventory is at risk in next '20' years for deforestation through a formula that standardizes (although not perfect) risk

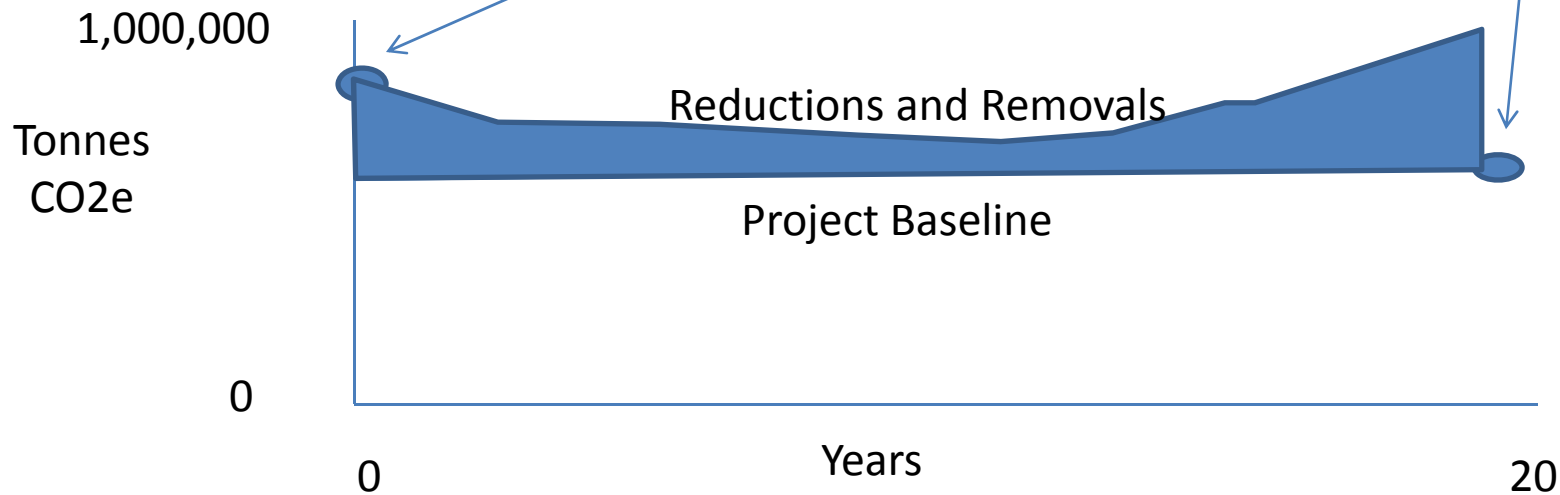
Deforestation Driver	Risk	Hectares at Risk	Percent Loss of Stocks as the Result of Deforestation Driver	Total Tonnes CO2e at Risk
Agriculture Expansion	High	500	100%	25,000
Fuelwood	Medium	3,000	5%	2,000
Ganaderia	Low	1,000	80%	24,000
			Sum	51,000

Project 'Territorial Baseline' Step 3

Determining the Baseline

- 1-Inventory Initial Stocks
- 2-Identify trajectory of stocks based on deforestation driver analysis
- 3-Baseline = 20-year value or current stocks, whichever is lower

Total Current Stocks (CO2e)	825,000
Stocks at Risk in Next 20 Years (CO2e)	51,000
Estimated 20 Year Stocks (CO2e)	774,000



Other Thoughts I

Some forms of land use are not expected to have as much potential to provide measureable benefits from changes in management activities.

Some forms of land use don't have cost-effective methodologies to account for changes in management activities.

The project can be initiated where methodologies exist. Other land use types can be incorporated, with baseline adjustments, when methodologies are developed. Other land use types might never be included in the project accounting.

Analysis must address whether project activities will increase emissions in other land use types.

Land use	Include Now	Include Later	Never Include
Primary Forests	X		
Secondary/Degraded Forests	X		
Selva			X
Agriculture		X	
Urban Trees		X	
Reforestation/Afforestation	X		

Other Thoughts II

We may want to think about special conditions to apply to certain land use types

Land use	Special Conditions (Examples)
Primary Native Forests Secondary/Degraded Native Forests	Limit reduction of stocks to 20 year deforestation estimate, other environmental safeguards as addressed in environmental standards
Pasto	
Agriculture	
Urban Trees	
Reforestation/Afforestation	Environmental safeguards as addressed in environmental standards

Other Thoughts III

We think the approach can apply to:

- Ejidos
- Communities
- Individual Non-Industrial Farmers

We don't think the approach can apply to:

- Industrial Landscapes with a focus on timber harvest (growth might be non-additional)

Next Steps

1. Develop standardized method for deforestation driver analysis on project area
2. Develop formula to assign values to risks
3. Consider any additional requirements
4. ???