



## **Mexico Forest Protocol, Terra Global Capital Public Comments**

We congratulate the authors on the significant effort and progress that has been made since earlier drafts of the protocol was released. Many positive changes were introduced in this public draft.

### **Project/jurisdiction reconciliation**

- It is understood that the current guidance is designed to reduce GHG emissions at the project scale, and that the guidance will evolve as it is incorporated into broader accounting frameworks at the national and sub-national level in Mexico, and that the intent is to embed this protocol in jurisdictional mechanisms as they are developed. As suggested in Section 1.2 it would be helpful for the protocol to provide guidance on questions about the crediting pathway, baselines and reconciliation, scope, liability and risk-sharing, and safeguards. Without guidance on these elements will change in the protocol, and how CRTs issued are likely to increase or decrease, when project level accounting is imbedded in jurisdictional accounting, it will be difficult to incentivize project developers to use the protocol. We would strongly suggest that it is made clear that once a project is registered, the current accounting procedures will remain valid, so that project developers have absolute certainty on the volume of credits that can be attained. A standard that will evolve and may change accounting procedures for projects that are already registered will be very unattractive for many project developers and investors.

### **Eligibility**

- Section 3.9 Project Crediting Period. While the market would prefer to have a baseline that is valid for a long period of time (i.e. 20 years), for credibility it would be better to require to reset the baseline every 10 years. Specifically, there are many pressures on the forest that can change in this time period – including the drivers of deforestation, laws and regulations, etc.

### **Greenhouse gas assessment boundaries**

- Table 6.1 There are a number of carbon pools that are explicitly excluded (ie. Shrubs and herbaceous understory, soil carbon, etc) because they are considered insignificant. In many other standards and protocols these pools have been found to be significant. Therefore, these pools should be left “optional” so that the project developer can include these if it can be demonstrated that they are in fact significant.

### **Quantification**

- Section 7.3 Same comment as above on time period of the baseline (section 3.9).

### **Baseline development**

- 9.2 Consideration of Legal Constraints. There are a number of “Zones with harvest restrictions” (ie. buffers) where legal constraints on harvesting are not necessarily followed or clear. For example, the law requires that harvesting occur at “sustainable” levels in Mexico’s primary

forests, but does not clearly define what those levels are in specific forests. In some cases, harvesting has occurred beyond a sustainable level. The requirement that the baseline be subject to legal constraints may be overly punitive for projects that can demonstrate that harvesting (or conversion) has occurred beyond what the law allows. It would be helpful to allow for a baseline to be set based on “common practice” in such cases.

- 9.3 Consideration of Financial Constraints. Worksheet 9.1. The adjustment of (upward or downward) for the regional trend seems to reduce the spatially explicit / project specific nature of the protocol and could be overly punitive for projects that have a high deforestation rate, but are in a region with a low deforestation trend. Conversely, in areas where the forest edges/more accessible areas have a higher deforestation rate, it could overestimate changes in tCO<sub>2</sub>e in initial years. We would suggest including more flexibility to account for the above-mentioned conditions.

### Secondary effects (leakage)

- It is difficult to know what will happen to the estimation of leakage risk when jurisdictional accounting is developed, and this could be a significant factor in the credibility of the project based CO<sub>2</sub>e estimates. We would suggest adding language that indicates that great care will be taken not to significantly change the leakage requirements of already registered projects once jurisdictional accounting is introduced.

### Permanence

- As a general comment the risk ratings seem very high, and would be worth examining further whether some of this risk is already accounting for through leakage monitoring and calculation. Obviously, a lot of thinking went into this, but it seems at a first glance that there is a double discounting through the risk rating mechanism and the leakage accounting deductions.
- Some terms are insufficiently defined. For example, an 80% risk is associated with disputes over land tenure or ownership. This is a very significant reduction. Therefore, what constitutes a dispute over land tenure or ownership should be very well defined to avoid ambiguity.
- 11.1.1 Unavoidable reversals. The protocol stipulates that an unavoidable reversal is any reversal not due to the Forest Owner’s negligence, gross negligence or willful intent, including natural events like wildfires etc. It is not clear how to define the owners’ negligence. For example, many fires are started by parties other than the forest owner and, particularly for large forest areas, it is difficult for the owners to patrol all of the boundaries of forest area at all times. Is a forest owner considered negligent if they have not been able to stop an outside party from creating the wildlife?