

**Comments on the validation of the
Reforestation as Renewable Source of Wood Supplies for
Industrial Use in Brazil, Version 03a**

- 28 May 2010 -

INTRODUCTION

CDM Watch submits the following comment on the Project Design Document (PDD) for Reforestation as Renewable Source of Wood Supplies for Industrial Use, to be developed by Plantar SA, in Minas Gerais, Brazil. We highlight the importance of recognizing the integral role of transparency in the CDM validation process, and for taking comments submitted to this project into consideration.

However, before even going into the details of the project, we would like to highlight the lack of transparency in how this particular case was handled related to the global stakeholder consultation process: The reason why the project is up for validation again is that the DOE has made a mistake related to the deadline (it opened for 30 instead of 45 days) and therefore had to open again. However, the DOE (TÜV SÜD) was suspended at EB 53. According to the modalities of the suspension it is therefore not allowed to "upload PDDs for public comments as part of the validation process"; however, it may "Respond to issues raised in reviews and requests for reviews of requests for registration and issuance". According to CDM Watch's interpretation it is not entirely clear that "respond" implies "upload for validation". In fact, civil society organisations rather assumed the opposite, i.e. that the project will only be uploaded for validation after the suspension is lifted since the suspension is not directly linked to the procedural mistake of this project. Yet, TÜV SÜD has uploaded the PDD for public input without any further notice. Only by chance did CDM Watch check the projects under validation at the website and found that Plantar was up for comments 3 weeks after it was uploaded. The lack of any notification system implies to CDM Watch that under current rules, global stakeholder procedure rather serves to tick the box for "minimum public participation requirements" rather than trying to inform affected stakeholders about the possibility to submit comments.

In addition to the difficulties related to the late information about the commenting period, the information provided about the project is only available in English. Given that the native language of most affected organisation is Portuguese, this adds serious limits to the possibility for actors affected directly by the operations of the project proponent to submit comments on the proposed project activity.

On top of this, at the time of writing this comment (28 May, 21.00 GMT – 3 hours before the official deadline), CDM Watch found that the project was taken off the UNFCCC list. Although it is common practice that the majority of stakeholders submits comments at the last moment possible (i.e. just minutes before the deadline closes) it is no longer possible to submit comments to this project.

Given the above, CDM Watch strongly urges TÜV SÜD to make public on the UNFCCC website all comments received to this project (even after the project was taken off the website). As it is not reproducible anymore when the project was taken off the website, this would add the least amount of credibility required.

After careful consideration of the PDD in the given time, we conclude that if approved, this project would lead to an excess issuance of Certified Emissions Reductions (CERs) of beyond any actual emissions reductions and therefore must not be validated for a number of significant concerns.

Based on our analysis, this project must not be validated for the following reasons:

- The PDD fails to prove that land is eligible for the project activity
- The PDD fails to disclose relevant information to justify the selected methodology
- The PDD fails to provide transparent and credible information about serious consideration of CDM
- The PDD fails to provide transparent and credible information about alternative baseline scenarios
- The PDD uses double rhetoric regarding sustainable development and uncovers inconsistency of statements

DETAILED COMMENTS

1. The PDD fails to prove that land is eligible for the project activity

To demonstrate that the activity is a reforestation or afforestation project activity, project participants must demonstrate that the land at the moment the project start does not contain forest¹ by providing transparent information that inter alia (iii) The land is not temporarily unstocked, as a result of human intervention such as harvesting or natural causes.² Particularly for reforestation project activities, they must demonstrate that the land was not forest by demonstrating that the conditions outlined under (a) above also applied to the last on 31 December 1989.

However, the PDD states that the 11,711.37 hectares in the project boundary to ensure the supply of renewable charcoal for the integrated project's iron production "*were previously stocked with Eucalyptus plantations in 1989 and were already expected to revert to grassland/pastureland in the absence of the project*".³

Given that the land was already used for plantations in 1989, this project fails to fulfil the condition as in EB 53 Annex 18, 1(a) (iii) because it was "*temporarily unstocked as a result of human intervention such as harvesting or natural causes.*"

Moreover, project participants shall provide all necessary information that proves the above mentioned reliably discriminates between forest and non-forest land⁴.

Along these lines, the PDD claims that "*the list of the images use and their date, as well as the details and tools used on their processing, are well documented in the land eligibility assessment report.*"⁵

However, neither the land eligibility assessment report nor any other "transparent" or "reliable" information is available to the public on the UNFCCC website. Not even the

¹ Annex 18, EB 35, para 1.(b)

² Annex 18, EB 35, Procedures to demonstrate the eligibility of lands for afforestation and reforestation CDM project activities – para 1.(a)

³ PDD, footnote 3 at p2

⁴ Annex 18, EB 35, para 2

⁵ PDD, p22

studies and results of the land eligibility assessment by the third party forester specialist Oliviera, Aduata C. (2008) are available.

2. The PDD fails to disclose relevant information to justify the selected methodology

The approved afforestation and reforestation baseline methodology AR-AM00052 as selected foresees that:

In case the pre-project A/R activities occurred in a region subject to the same biophysical and socio- economic conditions as the planned project area, PPs must provide an estimate of: (i) the average regional, and the project entity-specific, annual rates of such activities⁶. In particular, the average project entity-specific annual pre-project A/R rate shall be calculated for the entire land under control of the project entity, including the planned project area. The determination of such average rates must be established by means of historical data covering the period of at least five and not more than ten years preceding the year of: (i) signing the contractual agreement for validation, or (ii) the start of the project activity, whichever comes earlier.

However, the PDD claims that the areas in the proposed project A/R activity were specifically purchased for the project and were not subject to any A/R activities. Therefore, *"an historical A/R rate is not applicable to this specific project activity"*.⁷

But the argument for the inapplicability to use historical data does not validate the abandonment of the applicable rule, i.e. that pre-project activities may have occurred in a region with similar biophysical and socio-economic conditions as the planned project area. Therefore, such argumentation of the PDD does not satisfy the conditions established in the Baseline Methodology Procedure of AR-AM0005.

3. The PDD fails to provide transparent and credible information about serious consideration of CDM

EB 35, annex 17 foresees rules for "Preliminary screening based on the starting date of the A/R project activity". Therefore, evidence needs to be provided that the incentive from the planned sale of CERs was seriously considered in the decision to proceed with the project activity. This evidence shall be based on (preferably official, legal and/or other corporate) documentation that was available to third parties at, or prior to, the start of the project activity⁸.

However, the PDD claims that the first project plantations have been established in 10 November 2000 and suggests this date as the start date of the project. The project entity's integrated project, including the proposed A/R activity, was submitted to independent validation in 2002, under the UNFCCC regulations applicable at that time, though the DOE could not conclude the validation.

The company intends to use previously submitted documents to validation as evidence for additionality. Furthermore, it claims that the original rejection was not due to flaws in the project, but was rejected because CDM regulations on LULUCF were not finalised when originally submitted. In this context, it attempts to backdate the claim for carbon

⁶ Approved afforestation and reforestation baseline methodology AR-AM0005, para 2

⁷ PDD, p26

⁸ EB 35, annex 17, Step 0: Preliminary screening based on the starting date of the A/R project activity:

credits to 2000 – although the fact that the activities described in the project have already been underway for nine years is *prima facie* evidence that there is nothing “additional” about it.

4. The PDD fails to provide transparent and credible information about alternative baseline scenarios

EB 35, annex 17 further foresees that the project participant must identify realistic and credible land-use scenarios that would have occurred on the land within the proposed project boundary in the absence of the afforestation or reforestation project activity under the CDM. The identified land use scenarios shall inter alia include forestation of at least a part of the land within the project boundary of the proposed A/R CDM project at a rate resulting from extrapolation of observed forestation activities in the geographical area with similar socioeconomic and ecological conditions to the proposed A/R CDM project activity occurring in a period since 31 December 1989, as selected by the PP.⁹

Based on this requirement, the PDD affirms that if the baseline for the land-use is assessed for the region one comes to the conclusion that eventual A/R activities conducted in the *surroundings* of the project and the historical sectoral A/R rates do not reflect sectoral conditions and the land-use trends.

However, this argument is strictly contradicted in a large number of well-referenced documents by civil society organizations and academics give testimony to the well founded “ecological and social economical argumentations” presented to substantiate the reality of significant environmental and social impacts of Plantar’s eucalyptus plantations in the region¹⁰. The video exchange ‘The Carbon Connection’ visually documents some of these impacts in the project area.

5. The PDD uses double rhetoric regarding sustainable development and uncovers inconsistency of statements

The project document states that the project promotes the establishment of additional eucalyptus forest plantations on degraded or less productive lands, generating renewable source of energy and promoting sustainable development in the region. An indirect but not less important benefit is the contribution to diminish the pressure on native forests in Brazil. Historically, native forests have fulfilled the great demand for wood in the country, which resulted in immense deforestation of many native biomes of the country.

⁹ EB 35, annex 17, Sub-step 1a.

¹⁰ Hammond, Herb (2004): *Initial Review of Forest Stewardship Council Certification of Plantation Forests of PLANTAR S.A.*; Calazans, M. et al. (2006) “Brazil: Handouts for Repression as Usual” in Lohmann, L., ed. *Carbon Trading, Uppsala*; Carrere, R., Lang, C., Soares, M. et al. (2003) *Certifying the Uncertifiable: FSC Certification of Tree Plantations in Thailand and Brazil*, Montevideo; Lohmann, L. (2005) “Marketing and Making Carbon Dumps: Commodification, calculation and counterfactuals in climate change mitigation”, *Science as Culture* 14 (3): 203-35; (forthcoming) ‘Toward a Different Debate in Environmental Accounting: The cases of carbon and cost-benefit’, *Accounting, Organizations and Society* doi:10.1016/j.aos.2008.03.002; Valentim, R., Calazans, M. et al. (2003), *Where the Trees are a Desert: Stories from the Ground*, Amsterdam; Gilbertson, T. et al: *Carbon Connection. Community video letter exchange between communities affected by the Plantar operations and communities in Grangemouth, Scotland*. Available at www.carbontradewatch.org
Civil society letter (2002) Letter to Investors of the World Bank Prototype Carbon Fund March 2003 (attached).
Hammond, Herb (2004): *Initial Review of Forest Stewardship Council Certification of Plantation Forests of PLANTAR S.A.* (attached); Civil Society letter (2010) *Plantar S.A. CDM project: Global warming continues unabated. Civil Society letter signed by [number] organisations*

The acclaimed benefit of the project as a contribution towards diminishing pressure on native forests implicitly invalidates the assumption of Scenario 3, Step 3 of the PDD (C.5.1)

"The project activity undertaken without the CDM incentive, indicating the land-use reflects full-fledged forest plantations to supply the project's iron production".

The PDD, in its description of the *cerrado* vegetation, includes the option to create ecological corridors for biodiversity conservation, even if this implies eradicating those eucalyptus areas. *"When these cases occur, the area automatically monitored will be excluded from the A/R CDM project boundary"*. Furthermore, this project comprises the following step (among others):

Once eucalyptus is eradicated the bark of the stump shall be removed, in order to make regeneration difficult. Other measures could be taken to impede the eucalyptus regeneration process.

Contribution for income distribution as per Annex III in discordance with A.5.1

The project claims to provide additional income for rural households that use their animals (e.g. donkeys, and asses.) to collect and transport forestry remainders (eucalyptus bark) from the Carbonization Units (p.16, Annex 3).

However, this severely neglects the events occurred with local populations, when local communities were stopped from collecting branches and sections of trees left over in the fields after industrial felling. These previously existing alternative sources of income had already created a shadow economy for the survival of many people. The destruction of such additional incomes is indisputably linked with the project activities of the project described in this PDD, thus revealing the double rhetoric imbedded throughout the document.

Supposedly as evidence of having taken into consideration comments made about the significant social and environmental impacts of Plantar's eucalyptus operations, the current PDD states that *"Although the eucalyptus plantations for the production of wood for industrial and domestic use have contributed significantly in terms of socioeconomic development, wood productivity and environmental management quality of the plantations, some adverse public reactions to this activity are observed. Criticisms are based on ecological and social economical argumentations, some of them supported by technical parameters and others by myths and prejudice."*

The SGS certification report for the FSC, a critical consultancy report highlighting the incompleteness of the SGS assessment of environmental and social impacts as well as a large number of well-referenced documents by civil society organizations and academics give testimony to the well founded "ecological and social economical argumentations" presented to substantiate the reality of significant environmental and social impacts of Plantar's eucalyptus plantations in the region. The video exchange 'The Carbon Connection' visually documents some of these impacts in the project area. We will refrain from repeating the arguments and evidence already provided on previous occasions to the CDM Executive Board on the matter and refer to the following references which detail the plethora of significant negative socioeconomic and environmental impacts originating from the Plantar eucalyptus plantations.

Finally, this comment endorses the comments submitted by many other civil society organisations that submitted comments to this project and that lay out in more detail the questionable additionality arguments related to the selected baseline scenario.

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