



**Gold Standard**<sup>®</sup>  
for the Global Goals

TEMPLAT

# DEVIATION REQUEST FORM

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PUBLICATION DATE **16.07.2020**

Version **3.0**

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## **A. To be completed by Gold Standard**

### **1| Decision**

**1.1 | Date** - 01/10/2020

### **1.2 | Decision**

The deviation request is hereby approved, but with restrictions. The project developer can only request issuance for the latest three years prior to the current verification site visit date and for which the monitoring data can be verified. Thus, the remaining years/months of the monitoring period before that will be foregone without any possibility of extension in the registered crediting period.

**B. To be completed by the Project Developer/Coordinating and Managing Entity and/or VVB requesting deviation** (Please submit complete deviation request form in Microsoft Word format)

**2| Background information**

Deviation Reference Number	DEV_152	
Date of decision	01/10/2020	
Date of submission	02/09/2020	
Project/PoA/VPA	<input checked="" type="checkbox"/> Project	ID – GS1291
	<input type="checkbox"/> PoA	ID – GSXXXX
	<input type="checkbox"/> VPA	ID – GSXXXX
Project/PoA/VPA title	Balsas Renewable Energy Project	
Location of project/PoA/VPA	Brazil	
Scale of the project/PoA/VPA	<input checked="" type="checkbox"/> Microscale <input type="checkbox"/> Small scale <input type="checkbox"/> Large scale	
Gold Standard Impact Registry link of the project/PoA/VPA	Not applicable	
Status of the project/PoA/VPA	<input type="checkbox"/> New <input type="checkbox"/> Listed <input type="checkbox"/> Certified design <input checked="" type="checkbox"/> Certified project	
Title/subject of deviation	Monitoring report with 71 months	
Specify applicable rule/requirements/methodology and version number	"AMS-I.E: Switch from Non-Renewable Biomass for Thermal Applications by the User", ", version 05 <sup>1</sup> , Valid from 03/08/2012 onwards.	
Specify the monitoring period for which the request is valid (if applicable)	Start date 01/10/2014      End date 31/07/2020	
Submitted by	Contact person name: Dênis Gonçalves	
	Email ID: denis.goncalves@sustainablecarbon.com	
	Organization: Sustainable Carbon	
	Project participant: Yes <input checked="" type="checkbox"/> NO <input type="checkbox"/>	
Validation and Verification body (VVB opinion shall be included, where required by the applicable	Yes <input type="checkbox"/> NO <input checked="" type="checkbox"/>	

<sup>1</sup> *Methodology* available at: <http://cdm.unfccc.int/methodologies/DB/WHTQUFLWCVNB9CIUZC198A712WGQR4/view.html> >. Last visited on: 02/09/2020

rules/requirements or request is submitted by the VVB).	If yes; VVB name:  Auditor name:

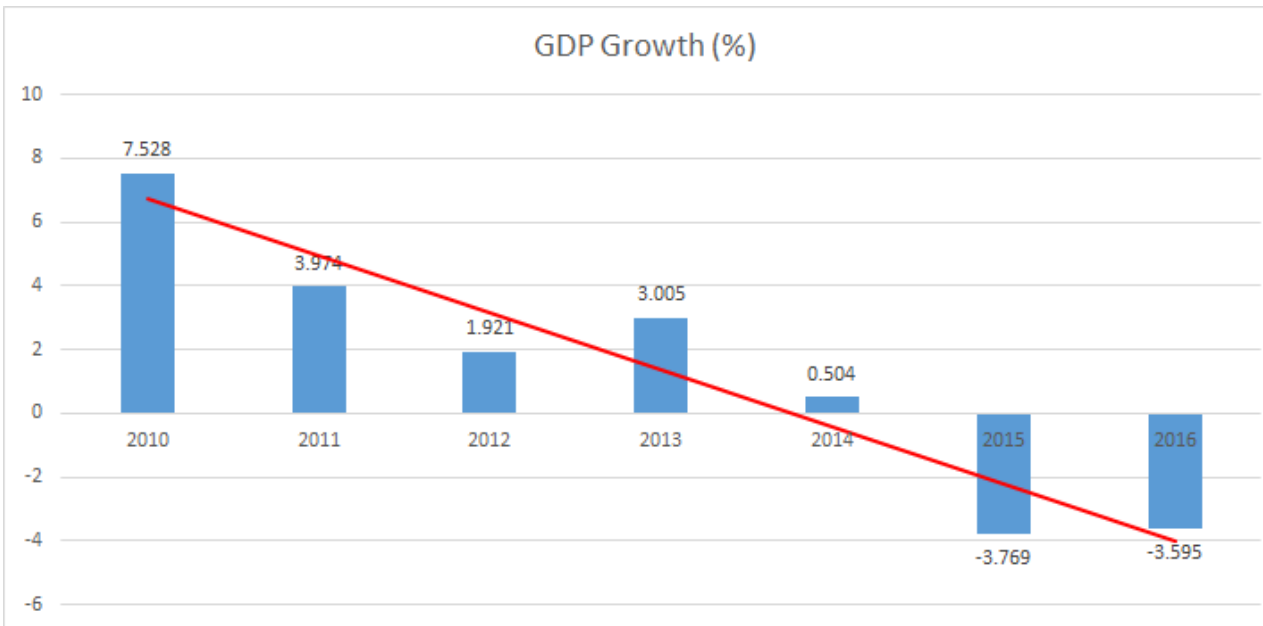
### 3| Deviation detail

#### 3.1 | Description of the deviation:

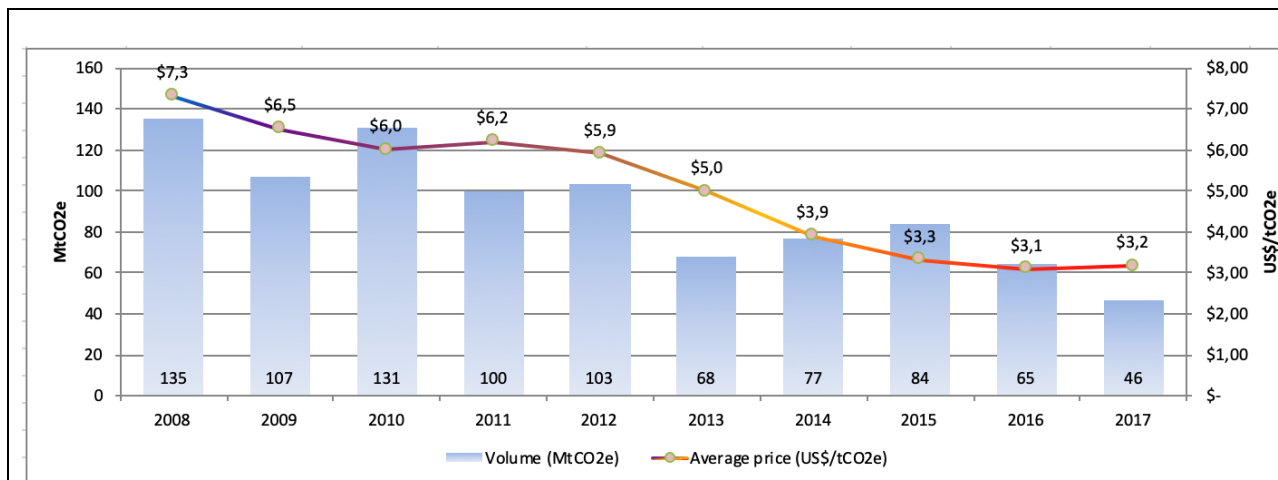
*Use the space below to describe the deviation and substantiate the reason for requesting deviation from applicable rules/requirements. Please include all relevant information in support of the request. You are requested to follow the principles for guidelines for requesting deviations, given in the Deviation Approval Procedure.*

This is a micro fuel switch project, located in Maranhão/Brazil. This project generates less than 5k carbon credit per year, and it is in a difficult region to access, making it really expensive to verify it once every three years. During the last years, the carbon market experienced very low demand and prices, and the market has only shown a recovery since the end of 2019. Sustainable Carbon was very impacted by this situation, our company had negative balances for several years, which are available for consultation. Unfortunately, this scenario made it impossible for us to conduct a verification of this micro project earlier, because the low amount of credits generated would not pay the costs.

Since 2014, Brazil has been facing a big corruption problem that affected seven of the ten construction companies in Brazil<sup>2</sup>. Moreover, several politicians are involved in cases of government funds misappropriation, contributing to the country crisis. The estimated value of corruption in Brazil is more than R\$ 8 trillions, which is higher than Brazilian GDP<sup>3</sup>. This problem directly affected the construction sector, reflecting in the ceramic sector. The graphic below shows the decrease of the Brazilian GDP during the years.



According to the State of Voluntary Carbon Markets 2018, the carbon market has presented a decrease in demand and an extra supply of credits. Thus, the carbon credit average price had almost a 50% decrease during the period 2012 - 2016. The Figure below shows the evolution of the voluntary carbon market in terms of negotiated volume (tCO<sub>2</sub>e) and average price (US\$/tCO<sub>2</sub>e).



Therefore, considering all facts presented above (i.e. political and economic crisis, lower demand for construction sector, decrease in production and profits, low demand for carbon credits) we kindly ask Gold Standard to allow Sustainable Carbon to conduct a verification for the whole period, in order to be able to maintain this important project located in one of the most threatened areas for deforestation in Brazil, a region named Matopiba. The agricultural development (mainly soybeans) in Matopiba has resulted in massive deforestation — forest area 12 times the size of New York City was lost from 2013-2015 alone. Therefore, this fuel switching project activity is really important for the region. Furthermore, during the first monitoring period, around 922,749 BRL was generated for local biomass suppliers, encouraging the creation of a renewable biomass supply chain. In addition, Balsas ceramic industry used part of the carbon credits revenues to build houses for the local community and its employees.

**VVB opinion (if applicable):**

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**3.2 | Assessment of the deviation:**

*Use the space below to describe how the deviation complies with the requirements, and accuracy, completeness, conservativeness, as applicable is ensured. Please include all relevant information in support of the request.*

Since the first monitored period, i.e. from 2011 to 2014 until now, the Ceramic Owner never lost his hope in continuing with the project. The Gold Standard certification presented a great opportunity for the company, and the sale of carbon credits would be an important revenue for maintaining the fuel switching to renewable biomass.

<sup>2</sup> Source: <<http://g1.globo.com/politica/operacao-lava-jato/noticia/2015/06/7-das-10-maiores-empreiteiras-tiveram-executivos-investigados-na-lava-jato.html>>. Last visit: 02/09/2020.

<sup>3</sup> <<https://epoca.globo.com/politica/expresso/noticia/2017/01/valor-movimentado-na-lava-jato-soma-r-8-trilhoes.html>>. Last visit: 02/09/2020.

Therefore, although a site visit was not conducted according to GS requirements, the ceramic owner has been exclusively using renewable biomass and monitoring the data ever since, with Excel spreadsheet shared in real time through Dropbox with the project proponent. In addition, during this whole period, the ceramic owner has been paying one employee just to take care of the monitoring data of the project activity.

**VVB opinion and recommendation (if applicable):**  
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**3.3 | Impact of the deviation:**

*Use the space below to describe the impact of the deviation on project design, safeguarding principles assessment, SDG assessment, emissions reductions, monitoring frequency, data quality, potential risk or any other relevant aspect of the project. Please substantiate the impact assessment with relevant and verifiable data/information.*

**This deviation has no impact on safeguarding principles, neither SDG assessment, or emission reductions.**

This deviation aims to verify the emission reduction for a period longer than 3 years, and did not affect the data quality due to the fact that the ceramic owner kept an employee responsible for the project monitoring during the entire monitoring period. Furthermore, only renewable biomass was used by this micro project activity, which counts on carbon credits revenues to continue with this important project within the Matopiba region, which presents one of the highest deforestation rates of the world.

**VVB opinion (if applicable):**  
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**3.4 | Documents:**

*List of documents provided*