



Influence. Innovate. Inspire.

The Gold Standard

Risks & Capacities Guideline

for 'Land Use & Forest' projects

Version

1.0

Valid since

September 2015



AGRICULTURE
AGROFORESTRY
LANDSCAPES
CARBON CREDITS
BIODIVERSITY
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Introduction

The 'Risk & Capacities' guideline is used to assess performance risks related to the project's non-delivery or reversal of greenhouse gas benefits. It does not consider other risks (e.g., social impacts or environmental risks), which remain covered in the Gold Standard 'Do-No-Harm' assessment instead.

HOW TO READ THE DOCUMENT

- Dashed underlined words are defined in the section 'I. Definitions'.
- *Italics* are used to improve the readability and understanding.
- **Shall** indicates requirements that must be followed in order to conform.

APPLICABILITY

The guideline shall be applied by all Gold Standard 'Land Use & Forests' projects, including *smallholder* and *microscale projects*.

PURPOSE

The risk guideline is included to ensure project owners (particularly those with less experience of Gold Standard or of implementing Land Use & Forests projects) fully consider the projects risks and to articulate these in a clear and transparent manner. It also encourages thought on proposed mitigation and timing thereof.

It is further intended to identify high risk activities where little or no risk mitigation has been proposed and/or implemented. This will inform the Gold Standard secretariat and the Technical Advisory Committee (TAC) when deciding upon Gold Standard certification.

ASSURANCE

The role of Gold Standard and the auditor in checking this risk guideline also requires clarification given the above position. It is proposed that the role of the auditor should be:

- (a) Checking that the guideline has been completed to a reasonable level of detail and that the weightings applied are also reasonable, **AND**
- (b) Cross-checking any major risks perceived by the auditor either in desk review or field visit against the guideline, **AND**
- (c) Checking that any mitigation measures proposed by the project owner for a given time period are in place.

These may lead to *Corrective Action Requests (CARs)* (absence of completion of form or any perceived risk being missed) or *Forward Action Request (FARs)* (for example mitigation proposed not in place where impacts are low).

The guideline applies a **risk scoring system** that assesses pre-defined risk categories and determines whether the risks of a project are *acceptable*¹ to Gold Standard or whether *mitigation measures* shall be adopted. The *risk scoring system* provides the structure for a broad and objective risk analysis and thus allows comparable assessment of risks among all land-use project types.

The scoring system is based on a transparent quantitative approach that assigns scores for 'high', 'medium' and 'low' risk, based on defined thresholds for a range of risk categories. A 'high' rating indicates that the respective risks are not acceptable to Gold Standard without *mitigation measures*.

The guideline defines five major risk categories that influence the long-term implementation of projects:

1. **Natural Disturbance risks**
2. **Political risks**
3. **Project Management risks**
4. **Financial risks**
5. **Market risks**

Each category is further sub-divided into several risk sub-categories.

The **risks scoring system** combines three factors that determine the overall risk per sub-category:

1. The **probability** of a damaging event to occur: refers to the question "how likely is a certain event to occur over the project crediting period".
2. The **impact** of a damaging event on carbon pools (e.g., crops, trees, soil) and related greenhouse gas emissions: indicates the power of an event of a specific risk sub-category to destroy or to harm carbon pools.
3. The **spatial scale** of a damaging event: relates to whether the event affects the entire project area or only parts thereof.

For every sub-category, the risk factor *probability* is rated **high (Score 3)**, **medium (Score 2)**, **low (Score 1)**, or **not applicable (Score 0)** and justification for the rating shall be provided by the project owner.

For every sub-category, the risk factors *impact* and *scale* is rated **high (Score 3)**, **medium (Score 2)** or **low (Score 1)** and justification for the rating shall be provided by the project owner.

The scores shall be selected based on the **long-term** implementation risk of the project.

These factors are multiplied to reflect the actual risk for the sub-category to the overall performance of the project. In other words, if e.g., fire *probability* is medium (score of 2) and its *impact* on the trees is destructive/high (score of 3), the combined risk would require a *mitigation measure*. However, the *scale* of this event is decisive here, e.g. the medium fire *probability* and its high *impact* would not reach a 'high' overall risk rating if the event effects only a small part (*special scale*) of project area (score of 1) and thus does not lead to significant reversals of sequestered carbon overall (total score of 6).

¹ Acceptable

As Gold Standard does not have a scalable risk buffer contribution on a project level, the standard needs to set minimum requirements (maximum acceptable risk) to ensure that potential losses are covered by the buffer.

The multiplication of *probability*, *impact* and *scale* leads to a score between 0 and 27.

- **Score 0 - 6** designates risks for which ***mitigation measures are not mandatory*** under Gold Standard (though still recommended).
- **Score 7 - 27** indicates that risks are not acceptable and ***mitigation measures are required*** in order to pass the Gold Standard risk assessment.

Note that risks **are initially assessed without taking into account *mitigation measures (present or planned)***. After adequate *mitigation measures* are defined, a corrected score (taking into account the *mitigation measures*) shall lead to risk **score of 6 or lower**.

The project owner may use any type of creditable information to support his statements, including but not limited to scientific report, studies, historic data, pictures, maps, credible websites, aerial imagery, CVs, legal documents, etc.

Risk scoring systems

Risk Category	Unless otherwise stated below, the risk classification and scoring described in this table applies to all sub-categories.
Probability of the risk	<p>High (Score 3): Event is expected to occur once or more in 10 years</p> <p>Medium (Score 2): Event is expected to occur once in 11-20 years</p> <p>Low (Score 1): Event is expected to occur less than once every 20 years</p> <p>Not applicable (Score 0): Event is expected to not occur during the <u>crediting period</u> of the project.</p>
Impact of the risk	<p>High (Score 3): Event is expected to fully destroy the products / greenhouse gas benefits, AND Products / greenhouse gas benefits are not expected to recover without intervention.</p> <p>Medium (Score 2): Event is expected to harm the products / greenhouse gas benefits, but do not lead to full destruction, AND Products / greenhouse gas benefits are expected to recover without intervention in more than 5 years from the current levels.</p> <p>Low (Score 1): Event is expected to harm the products / greenhouse gas benefits, but do not lead to full destruction, AND Products / greenhouse gas benefits are expected to recover without intervention in less than 5 years based on the current levels.</p>
Scale of risk	<p>High (Score 3): Event is expected to affect more than 50 % of the <u>project area</u></p> <p>Medium (Score 2): Event is expected to affect between 5 % and 50 % of the <u>project area</u></p> <p>Low (Score 1): Event is expected to affect less than 5 % of <u>project area</u></p>
Total score of the risk	<p>Multiplication of <i>probability</i>, <i>impact</i> and <i>scale</i> leads to a score of the <u>project</u>.</p> <p>Min. score: 0 Max. score: 27</p> <p>This score determines the need for risk <i>mitigation measure</i>:</p> <p>Score 7 or higher: Risk not acceptable, <i>mitigation measures</i> obligatory</p> <p>Score 6 or lower: <i>mitigation measures</i> not required, but recommended</p>
Mitigation measures	<p>Depending on the total risk score, mitigation measures shall be described.</p> <p>This shall include a description of which risks / risk factor are addressed and a justification on how the risks are reduced to a total score of 6 or lower.</p>

Risk and Capacities categories and scoring

1. Natural Disturbance			
Risk category	1.1 Fire Damage	Present Score ²	Corrected Score ³
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

² Present score The *present score* considers the project situation without any risk *mitigation measures*.

³ Corrected score The *corrected score* takes into account *mitigation measures*

1. Natural Disturbance			
Risk category	1.2 Wind damage (e.g. hurricanes, typhoon)	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

1. Natural Disturbance			
Risk category	1.3 Animals (e.g. domestic or wild animals encroachment)	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

1. Natural Disturbance			
Risk category	1.4 Pest and disease outbreaks (e.g. insects, bacteria, viruses, fungi)	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

1. Natural Disturbance			
Risk category	1.5 Temperature extremes (e.g. extreme heat, frost)	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

1. Natural Disturbance			
Risk category	1.6 Water extremes (e.g. droughts, heavy rains, floods, mudslides, avalanches, ice-storms)	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

1. Natural Disturbance			
Risk category	1.7 Changing climate (e.g. long draught period, seasonal variability of rainfall pattern, water availability)	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

1. Natural Disturbance			
Risk category	1.8 Earthquake and induced landslides	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

1. Natural Disturbance			
Risk category	1.9 Geological risk (e.g. volcanic eruption, desert progression)	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

2. Political risks			
Risk category	2.1 Political interventions (e.g. wars, riots, civil strife, terrorism, corruption, land occupation, community resistance)	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	No <i>mitigation measure</i> needs to be provided - as this is beyond the influence of the <u>project owner</u> .		
Total score of the risk		...	...

2. Political risks			
Risk category	2.2 Confiscation of property (e.g. expropriation, infrastructure development)	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

2. Political risks			
Risk category	2.3 Irregular resettlement	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

2. Political risks			
Risk category	2.4 Exploitation of natural resources (e.g. mining, water, oil)	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

3. Project management risks			
Risk category	3.1 Project failure due to: <ul style="list-style-type: none"> insufficient internal technical capacity (e.g. due to high fluctuation of season workers or permanent staff, not sufficient training), OR dependency on continuous external technical support 	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

3. Project management risks			
Risk category	3.2 Project failure due to dependency on key technical individuals in the organization that are difficult to replace	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

3. Project management risks			
Risk category	3.3 Project failure due to: <ul style="list-style-type: none"> to the lack of technical equipment (e.g. machinery), OR planting material (e.g. import barriers such as taxes, bureaucracy) 	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

3. Project management risks			
Risk category	3.4 Project failure due to: <ul style="list-style-type: none"> insufficient internal financial accounting and management capacity, OR dependency on continuous external financial accounting and management support 	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

3. Project management risks			
Risk category	3.5 Project failure due to dependence on key financial accounting and management expertise of individuals in the organization that are difficult to replace	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

3. Project management risks			
Risk category	3.6 Project failure due to: <ul style="list-style-type: none"> insufficient internal legal management capacity, OR dependency on continuous external legal management support 	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

3. Project management risks			
Risk category	3.7 Project failure due to dependence on key legal management individuals in the organization that are difficult to replace	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

3. Project management risks			
Risk category	3.8 Project failure due to: <ul style="list-style-type: none"> insufficient internal capacity to support to maintain third-party certification, OR dependency on continuous external support to support to maintain third-party certification 	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

3. Project management risks			
Risk category	3.9 Project failure due to dependence on key individuals to support to maintain third-party certification in the organization that are difficult to replace	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

4. Financial risks			
Risk category	4.1 Late achievement of the project cumulative cashflow break-even ⁴ point	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk *	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

*** Adapted scoring**

High (Score 3): Break-even after more than 10 years / or never⁵ (not-for-profit) from the date of the current Gold Standard certification

Medium (Score 2): Break-even within 5 - 10 years from the date of the current Gold Standard certification

Low (Score 1): Break-even within less than 5 years from the date of the current Gold Standard certification

⁴ The break-even point in the cumulative cashflow, relates to the cumulative project revenues (including product sales and carbon credit sales) from the perspective of the project owner minus the cumulative costs of project implementation over time.

⁵ If a break-even cumulative cashflow is never achieved, the project is not-for-profit and fully depends on external funding/donor support.

4. Financial risks			
Risk category	4.2 Lack of secured continued financial resources for project implementation until the project's the cumulative break-even cash flow (for profit projects) / total cost until end of crediting (non-profit projects)	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk *	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

*** Adapted scoring**

High (Score 3): Secured funding is less than 70 % of funding volume

Medium (Score 2): Secured funding is 30 - 70 % of funding volume

Low (Score 1): Secured funding is more than 70 % of funding volume

5. Market risks			
Risk category	5.1 Lack of liquidity/financial resources due to price variations (e.g. crop/timber produced, CO2-certificates, fertilizer, machines)	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

5. Market risks			
Risk category	5.2 Project failure due to competing commodities (e.g. palm oil, soya)	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

5. Market risks			
Risk category	5.3 Project failure due to competing infrastructure (e.g. settlements, roads)	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...

6. Other risks			
Risk category	6.1 Any other specific project risk that endangers the viability of the project (e.g. project failure due to crop robbery/illegal timber logging, due to disputes with the cooperative)	Present Score	Corrected Score
Probability of the risk	Provide description here ...	...	...
Impact of the risk	Provide description here ...	...	...
Scale of the risk	Provide description here ...	...	...
Mitigation measures	Provide description here ...		
Total score of the risk		...	...