



ACR Tool for Risk Analysis and Buffer Determination

V1.0

The ACR Tool for Risk Analysis and Buffer Determination provides quantification guidelines for GHG sequestration reversal risk associated with specific project types in the U.S. and abroad.

All projects that include carbon sequestration have the potential for GHG removals to be reversed (i.e., released back into the atmosphere) and must use this risk analysis tool to assess the risk of reversal due to both general and project-specific risk factors. The ACR buffer only compensates for unintentional reversals and thus, only these types of risks are addressed in this tool.

All projects that include sequestration of CO₂e shall mitigate reversal risk by one of three mechanisms:

1. Contributing ERTs deducted from the project's offsets to the ACR buffer pool;
2. Contributing ERTs of another type or vintage to the ACR buffer pool;
3. Using another ACR-approved risk mitigation mechanism.

The output from the risk analysis tool will be a percentage that must be applied to gross ERTs at each issuance, and then deposited into the ACR buffer pool to mitigate the risk of unintentional reversals (unless the Proponent elects another ACR-approved risk mitigation mechanism).

If a project experiences an unintentional reversal, ERTs from the buffer pool are retired in an amount equal to the total amount of carbon that was reversed. Please refer to the ACR Forest Standard for details on this process.

Risk Categories

Financial Risk: The risk that the organization overseeing or financing project implementation will be unable to continue due to financial failure. This can result from a number of financial constraints, including the inability to secure offset buyers or a sufficient offset price, bankruptcy, or a lack of capital needed to continue monitoring and/or verification.

Project Management risk: This risk is related to the ability of the project management team to effectively manage the project throughout its lifetime. This can include a lack of technical expertise, poor management skills, non-adherence to reporting and monitoring requirements, and other binding agreements such as conservation easements.

Social and Political risk: This risk is related to changing social, political or legal landscapes that could affect the project. Changing policies and laws could result in new requirements or incentives that lead to reversals. Social risks can include changes in resource needs or public perception, leading to reversals associated with illegal harvesting, poaching, or other destructive activities.

Conservation Easement Deduction: A risk rating can be reduced by 2% if a project can provide verifiable evidence of a legally binding and enforceable conservation easement that requires the protection of carbon stocks for the life of the project.

Natural Disaster risks: These risks are applicable depending on the specific project type. These risks are associated with natural events that lead to unintentional reversals. Some risk categories allow projects to claim a lower risk score (as noted) by providing evidence in support of the claim. Evidence may include written communication from State, Federal or Local independent experts in the applicable field, peer reviewed literature, or other scientific documentation or reports. This evidence must be current at the time of verification. Evidence must be verifiable and presented to a verification body at the time of GHG Project Plan validation, and during subsequent full verifications (every 5 years). Risk mitigation due to fire hazard reduction is not permissible under this risk tool.

Projects that experience an epidemic disease or pest outbreak on the project area must increase the risk value for this category at the next verification event.

Calculation Procedures

All Project types must claim a value from risk categories A, B and C. Additional values that must be selected by project type include:

Forestry projects claim one value from each:

- D Conservation Easement (if applicable)
- E Fire
- F Disease/pest
- G Levee failure/water table changes (required only if forested wetlands comprise more than 60% of project area)
- H Other natural disaster risk scores.

Wetland projects claim one value from each:

- D Conservation Easement (if applicable)
- G Levee failure/water table changes
- H Other natural disaster risk scores.

Agriculture/grassland projects claim one value from each:

- D Conservation Easement (if applicable)
- E Fire
- H Other natural disaster risk scores.

Calculate the risk score by summing the scores from each of the applicable risk categories. Apply this percentage to the total ERTs generated for the reporting period to reach a total buffer pool contribution.

1. **Section 1 (A + B + C + D) + Section 2 (E + F + G + H) = Total Risk score %**
2. **Total Risk score % * Total ERTs generated for reporting period = Buffer pool contribution in ERTs at time of issuance.**

Risk Tool

1. Management and Governance Risks: All project types must select one value from each risk category that applies:

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|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A Financial | <ul style="list-style-type: none">• 4% Default Value• 3% US Public and Tribal Lands |
| B Project Management | <ul style="list-style-type: none">• 4% Default Value• 3% US Public and Tribal Lands |
| C Social/Policy | <ul style="list-style-type: none">• 2% Default Value• 5% if project is located outside of the US• 3% if project is located outside of the US and demonstrates community engagements through ACR-approved mechanism |
| D Conservation Easement Deduction | <ul style="list-style-type: none">• -2% Default value• -3% if there is regular onsite monitoring of activities related to carbon-specific conservation activities |

2. Natural Disaster Risks: Select one value from each risk category that applies:

- | | |
|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| E Fire | <ul style="list-style-type: none">• 8% if project is located in an area where fire greater than 1000 acres has occurred within 30 mile radius of project area in prior 12 months• 4% if project is located in high fire risk region• 2% if project is located in low fire risk region (verifiable evidence must be provided)• 1% for agriculture and grassland projects only |
| F Diseases and Pests | <ul style="list-style-type: none">• 8% if epidemic disease or infestation is present within project area, or within 30 mile radius of project area• 4% Default Value |
| G Levee Failure and Water Table Changes | <ul style="list-style-type: none">• 2% Default for all wetland projects (and for forest projects where more than 60% of the project area is a forested wetland) |
| H Other Natural Disaster Events | <ul style="list-style-type: none">• 2% Default Value for all sequestration projects |