

ACR Buffer Pool Terms and Conditions

2021-02

A. Conditions to Participation in ACR Buffer Pool

To use the ACR Buffer Pool in connection with a project, a Project Proponent must first satisfy the following conditions:

- I. The Project Proponent must have entered into the American Carbon Registry® AFOLU Carbon Project Reversal Risk Mitigation Agreement for the project (as amended from time to time, the “Reversal Risk Mitigation Agreement”).
- II. There must be a GHG Project Plan for the project which, among other things, includes a risk assessment conducted in accordance with the ACR Tool for Risk Analysis and Buffer Determination, a risk category and an approved buffer contribution amount equal to a minimum percentage of the offsets issued by ACR in connection with the project (as amended from time to time due to updated ACR-approved risk assessments, the “Minimum Buffer Percentage”).

B. Definitions

Terms capitalized in these Buffer Pool Terms but not defined herein shall have the meanings given such terms in the Reversal Risk Mitigation Agreement or, if not defined therein, shall have the meanings given such terms in the Definitions section of the ACR Standard (as in effect as of the execution date of the Reversal Risk Mitigation Agreement, the “ACR Standard”).

C. Buffer Pool Account

ACR will establish an American Carbon Registry® Buffer Pool Account (the “Buffer Pool”), over which it has sole operational and management control, to hold the Buffer Contribution from the Project (as defined below). ACR shall have the right to hold buffer contributions from all agriculture, forest and other land use (AFOLU) carbon projects registered with ACR in one or more co-mingled accounts. As long as offsets deposited by a Project Proponent are retained in the Buffer Pool Account, the Project Proponent may not transfer, sell, pledge, retire, or otherwise dispose of such offsets.

In the event that ACR is no longer operational or able to manage the Buffer Pool Account, the account will be managed by ACR's parent organization, Winrock International ("Winrock") or a comparable, qualified organization of Winrock's election.

D. Buffer Pool Contribution

- I. **ASSESSMENT OF RISK.** For AFOLU projects that have risk of Reversal, Project Proponent shall conduct a risk assessment addressing both general and project-specific risk factors using the ACR Tool for Risk Analysis and Buffer Determination. The output of the tool is an overall risk rating percentage for the project, translating into a number of offsets that will be deposited in the ACR Buffer Pool Account to mitigate the risk of reversals at the time of each issuance, the Minimum Buffer Percentage. The risk assessment, overall risk category and Minimum Buffer Percentage, and calculated buffer contribution amount shall be included in the GHG Project Plan and Monitoring Report. ACR evaluates the overall risk category and corresponding buffer contribution, and the VVB evaluates whether the risk assessment has been conducted correctly. If no Reversals occur, the project's risk category and Minimum Buffer Percentage can remain unchanged for five years. The risk analysis must be re-evaluated at least every five years, or coincident with the interval of required site visit verification except in the event of a Reversal, in which case the risk category and Minimum Buffer Contribution shall be re-assessed and re-verified immediately.
- II. **BUFFER CONTRIBUTION REQUIREMENT AND TIMING.** As set forth herein and in the ACR Standard, concurrent with each issuance of offsets to the project, Project Proponent shall contribute offsets to the Buffer Pool Account equal to the respective annual volumes of offsets being issued within the relevant reporting period multiplied by the Minimum Buffer Percentage. Project Proponent may, at its option, contribute a number of offsets greater than the number required by application of the Minimum Buffer Percentage. The number of offsets contributed to the Buffer Pool Account shall be referred to as the "Buffer Contribution." In the event of an increase in the Minimum Buffer Percentage due to an updated risk assessment, Project Proponent shall make the required additional Buffer Contribution within ten (10) days following ACR's approval of the updated risk assessment.
- III. **COMPOSITION OF BUFFER CONTRIBUTION.** The Buffer Contribution shall consist of offsets generated by the Project, offsets of any other type or vintage held in an ACR registry account by the Project Proponent, or any combination thereof. For all projects listed after January 1, 2022, the vintage of offset credits used for buffer contributions will be limited to no more than 5 years prior to the date of deposit into the buffer upon issuance (e.g., if a buffer deposit occurs in 2023, earliest vintage of credits is 2018).

E. Reversal

- I. **NOTICE OF REVERSAL.** Project Proponent shall provide written notice to ACR immediately upon becoming aware of any Unintentional or Intentional Reversal or Early Project Termination decision. Such notice shall include the number of offsets affected by the

Reversal (the “Estimated Lost Offset Amount”), a description of how the Estimated Lost Offset Amount was determined, a description of the nature and cause of the Reversal and all other relevant facts. Project Proponent shall, at its expense, promptly and fully comply with all ACR requests for additional information or analyses relating to the Reversal. ACR requires the quantification of carbon stocks after the Reversal as verified by a VVB, at the Project Proponent’s expense, to be reported to and confirmed by ACR (the “Verified Lost Offset Amount”) within six months of the Reversal.

- II. **LOSS MITIGATION FOR AN UNINTENTIONAL REVERSAL.** ACR mitigates the loss from an Unintentional Reversal by retiring from the Buffer Pool the Estimated Loss Amount at Project Proponent’s expense (including payment of then-applicable offset retirement fees). If the Lost Offset Amount is less than the Project Proponent’s net Buffer Contributions up to that time, then the Buffer Contributions cover the Reversal. If the Lost Offset Amount from the Reversal exceeds the Proponent’s Buffer Contributions to date, the Project Proponent shall pay a “deductible” of 10% of the Lost Offset Amount, depositing this additional offset amount in the ACR Buffer Pool within thirty (30) days of the retirement, and the Buffer Pool covers the remainder. The deductible contribution may be of ACR offsets of any type and vintage. Following unintentional reversals, the Proponent is not required to replenish the buffer unless the Minimum Buffer Percentage increases based on the risk assessment update. If the Verified Lost Amount is greater than the Estimated Lost Amount, ACR will retire from the Buffer Pool the difference.
- III. **LOSS MITIGATION FOR AN INTENTIONAL REVERSAL.** ACR mitigates the loss from an Intentional Reversal, which is assumed as all affected carbon stocks, by canceling the associated volume of credits from the Project Proponent’s account and/or canceling or retiring from the Buffer Pool the Estimated Loss Amount (as applicable) at Project Proponent’s expense (including payment of then-applicable offset activation, retirement and cancellation fees) upon notification by the Project Proponent. Cancellation of all non-transacted offsets will occur for a project that has terminated early and retirement will occur equivalent to any volume that has been transferred. The Project Proponent shall, at the Project Proponent’s expense, contribute the Estimated Lost Offset Amount to the Buffer Pool Account within thirty (30) days of the Reversal. This Buffer Contribution may be made using ACR offsets of any type or vintage. For any intentional reversal, including intentional early project termination, that occurs for projects listed after January 1, 2022 only ACR offsets from AFOLU project types may be used to compensate the reversal or termination. If the Project Proponent does not make this Buffer Contribution within thirty (30) days, ACR retains the right to freeze the account and use any existing offsets to compensate for the Reversal.

The Verified Offset Amount must be submitted to ACR within six months of Reversal unless additional time is granted by ACR in writing. If the Verified Lost Amount is greater than the Estimated Lost Amount, Project Proponent shall contribute an additional amount for the difference, which will be retired by ACR.

- IV. **EARLY PROJECT TERMINATION DUE TO REVERSAL.** Sequestration projects will terminate automatically if a Reversal, Intentional or Unintentional, causes project stocks to decrease below baseline levels prior to the end of the Minimum Project Term. In cases where this decrease is caused by intentional reductions to stocks (e.g., forest conversion or over-harvesting), which is considered an Intentional Reversal, the Project Proponent shall compensate for all issued offsets to that project following the process in III above.
- V. **EARLY PROJECT TERMINATION.** If a Project Proponent opts to terminate the project at any time prior to the end of the Minimum Project Term by discontinuing project monitoring, verification and reporting activities for the Project (or subset of the project in an aggregated or PDA project) or leaves the carbon program, ACR conservatively considers the cumulative sequestration and/or emissions reductions from avoided conversion of the project to be lost (i.e., all offsets issued to the project). Project Proponents must compensate for the full amount of all offsets issued cumulatively to the project upon termination. If only a portion of the project landowners (i.e., in the case of an aggregated or POA project) chooses to terminate, the remaining land owners may continue project activities if the area which was terminated is compensated. The Project Proponent shall have the responsibility to compensate for project termination following the process in III above.
- In the case of Early Project Termination in order to re-enroll the project in another voluntary, state or federal program, the Project Proponent must compensate for all offsets issued to the Project following the process in III above. This is because ACR does not have the ability to enforce the actions of a Project Proponent on a project that is no longer registered on ACR.
- VI. **RISK ASSESSMENT UPDATE.** Project Proponent shall comply with the risk assessment update requirements pursuant to the Reversal Risk Mitigation Agreement upon occurrence of a Reversal. Frequent recurring reversals will lead to a higher assessed risk and accordingly increased Minimum Buffer Percentage.

F. End-of-Term Buffer Pool Account Balance Transfer to ACR

At the end of the Minimum Project Term, if the Project Proponent does not renew for another Crediting Period and agrees to continue monitoring and verification, ACR conservatively assumes that the activities have ceased and will retire the remaining project-related buffer pool contribution. If the project renews for another Crediting Period, ACR will continue to hold the project's buffer contributions in the buffer pool.