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Mexico Forest Protocol Version 3.0 ERRATA AND CLARIFICATIONS Workgroup Draft

The Climate Action Reserve (Reserve) published its Mexico Forest Protocol Version 3.0 (MFP V3.0) in October 2022. While the Reserve intends for the MFP 3.0 to be a complete, transparent document, it recognizes that correction of errors and clarifications will be necessary as the protocol is implemented and issues are identified.

This document is a draft errata and clarification published for technical workgroup review, which will later be incorporated in the full errata and clarifications document (combined with previous errata and clarifications) applicable to the MFP 3.0. Clarifications are provided for four topics in this document, and include:

1. Definition of Improved Forest Management
2. Performance Standard Test for Improved Forest Management
3. Project and Monitoring Reports for Improved Forest Management
4. Project Verification for Improved Forest Management

Per the Reserve Offset Program Manual, both errata and clarifications are considered effective on the date they are first posted on the Reserve website. The effective date of each erratum or clarification in this draft document will be designated in the final version published after public comment. All listed and registered forest projects under Version 3.0 will be required to incorporate and adhere to these errata and clarifications when they undergo verification. The Reserve will incorporate both errata and clarifications into future versions of the protocol. The Reserve will separately publish guidance for projections registered under prior versions that opt to transition to Version 3.0.

All project developers and verification bodies must refer to this document *once the final version is published* to ensure that the most current guidance is adhered to in project design and verification. Verification bodies shall refer to the final version of this document immediately prior to uploading any Verification Statement to assure all issues are properly addressed and incorporated into verification activities.

If you have any questions about the updates or clarifications in this document, please contact the Abbey Garcia at: agarcia@climateactionreserve.org.

Errata and Clarifications (arranged by protocol section)

Section 2	3
1. Improved Forest Management Definition (CLARIFICATION)	3
Section 3	8
2. Performance Standard Test (CLARIFICATION).....	8
Section 7	9
3. Project and Monitoring Reports (CLARIFICATION).....	9
Section 8	10
4. Project Verification (CLARIFICATION).....	10

Section 2

1. Improved Forest Management Definition (CLARIFICATION)

Section: 2.3 Project Activities

Context:

Mexico has 137.8 million hectares of forest land, which is roughly 70% of the entire country's area. However, only 5.53 million hectares are under a SEMARNAT approved Forest Management Program (FMP).¹ Forest lands in Mexico face a variety of threats for degradation and deforestation, primarily caused by financial incentives to convert forested land to higher economic uses such as agriculture,² often without legal permission.³⁴ Per national data, deforestation rates have increased over recent years: from 2015-2020, the rate of deforestation increased from 18% to 19.3%, and in 2022, 206,564 hectares were deforested compared to 167,811 hectares in 2021 or 92,609 hectares in 2017.⁵⁶ Moreover, 23.51% of all land area in Mexico is degraded, with cloud forests presenting greater degradation and loss of primary vegetation.⁷

Putting forested land into Forest Management Programs supports decreased levels of deforestation by adding economic value to standing forests; however, Forest Management Programs⁸ are not legally binding and can be changed over time based on a variety of economic considerations. Putting land into an Improved Forest Management (IFM) carbon project provides assurance against deforestation since the growth in carbon stocks (as well as any previously existing carbon stocks) must be maintained for up to 100 years. Moreover, forest carbon projects are subject to annual monitoring, reporting, and verification criteria, ensuring that the credited increase of carbon stocks is maintained over the permanence commitment period (i.e. up to 100 years). While the Mexican Forest Protocol (MFP) only credits for carbon enhancements, IFM projects inherently reduce forest degradation and deforestation and their associated emissions, which highlights the conservative approach to defining project baselines and project crediting in the MFP.

The MFP provides a financial incentive to implement stewardship activities in Mexican forests that result in increased carbon accruals and storage. While not directly credited, many landowners engaged in forest carbon projects invest in activities that improve the durability of the sequestered carbon as well.

Activity Areas, as defined by the MFP, are explicit areas within the Project Area where Forest Owners implement defined activities (i.e., Reforestation, Improved Forest

¹ https://www.dof.gob.mx/nota_detalle.php?codigo=5609275&fecha=31/12/2020#gsc.tab=0

² 73.84% of converted forests are converted to pasture lands and 21.26% are converted to agricultural lands; other causes include clandestine harvesting, illegal commerce of primary materials and forest products, fires, forest diseases, and inadequate forest management practices.

³ 95% of deforestation occurs illegally.

⁴ https://www.dof.gob.mx/nota_detalle.php?codigo=5609275&fecha=31/12/2020#gsc.tab=0;

<https://databosques.cnf.gob.mx/inicio/>

⁵ <https://snmf.cnf.gob.mx/deforestacion/>

⁶ The yearly high, however, was in 2016 with a loss of 350,298 hectares.

⁷ https://www.dof.gob.mx/nota_detalle.php?codigo=5609275&fecha=31/12/2020#gsc.tab=0;

<http://www.conafor.gob.mx:8080/documentos/docs/1/7749EI%20Sector%20Forestal%20Mexicano%20en%20Cifras%202019.pdf>

⁸ Programs authorized by SEMARNAT that establish commercial harvesting rotations and permitted volumes.

Management, etc.) that increase carbon stocks and are credited accordingly by the Reserve. Each Activity Area must be identified as one of the activities in Table 2.1 of the MFP V3.0, Activity Area Designation, and meet the associated definition and criteria at the Activity Area’s initiation. Improved Forest Management activities are defined below in Table 2.1 of the MFP V3.0.

Table 2.1 Activity Area Designation

Definition	Activity Area Criteria
<p>Improved Forest Management is a set of management actions that enhance sequestration and resiliency of sequestered carbon in forest landscapes under harvest management plans.</p> <p>Activities that lead to carbon enhancements in managed forests, may include, but are not limited to, the following actions:</p> <ul style="list-style-type: none"> • Increase the harvest rotation age towards optimum rotation age. • Harvest selection while thinning to retain the best genotypes and phenotypes to improve the rate of sequestration. • Control stocking to manage competition, and the related effects on forest growth and resiliency. • Increase stocking in understocked areas within the managed forest. • Reduction of litter and surface fuels in fire-prone ecosystems to enhance resiliency. 	<p>The primary land cover is forest, which may be present in varying densities and sizes, and the forest has a forest management program authorized by SEMARNAT for the purposes of commercial timber harvest.</p> <p>The Activity Area is limited to the area with a SEMARNAT approved Forest Management Program for commercial timber harvest and must include the entire area under the Forest Management Program, or a subset with an equivalent age distribution as the entire area under the Forest Management Program. The Activity Area cannot include areas that have an outright legal prohibition of commercial harvest.</p> <p>For Activity Areas that include a subset of the entire area under the Forest Management Program, project developers must submit the age class distribution for the entire area and for the subset and demonstrate that each age class is within 5% of the distribution for the entire area under the Forest Management Program.</p> <p>Agriculture may be included as a secondary activity and most likely in varying intensity across the landscape over time and space; reforestation within this Activity Area, if it occurs, generally follows a harvest or other disturbance event that has occurred within the past 5 years. IFM activities may be carried out on protected areas if under a forest management program that allows commercial timber harvest and permitted by the regulation of the protected area.</p>

The intent of IFM Activity Areas under the protocol is to incentivize silviculture activities that increase carbon stocks in managed forests (i.e., forests with commercial timber harvest) compared to business as usual activities, as further discussed in Section 3.13.2.1. Performance Standard Test – Improved Forest Management Activity Areas. As stated in the Activity Area Criteria in Table 2.1, the Activity Area must have a FMP authorized by SEMARNAT for the purposes of commercial timber harvest. The intent of the definition and criteria is to align the IFM Activity Area with areas that are planned for the purpose of commercial timber harvest. However, FMPs are not all designed in the same way, and they may change over time. This introduces uncertainty as to the areas aligned with the IFM Activity Area definition and additionality criteria (see Section 3.13.2.1. Performance Standard Test – Improved Forest Management Activity Areas) as related to the FMPs.

FMPs must be approved by SEMARNAT and are the basis for planning sustainable commercial timber harvesting over a set timeframe or rotation (i.e. “turn”), often between 40 to 100 years. Within the planned rotation, the Forest Owner must solicit harvest permits on a shorter timeframe, likewise established in the FMP, such as every ten to twenty-five years.

Per the General Law of Sustainable Forest Development⁹ and General Wildlife Law,¹⁰ the initial Forest Management Program must classify the area submitted per the following categories:

Table 1. Classifications under Forest Management Programs

Classification	Definition
Conservation & Restricted Harvest	Land area with forest vegetation that due to its physical and biological characteristics are subject to a protection regime with restricted uses that do not put natural resources at risk, such as soil, water quality and/or biodiversity.
Restoration¹¹	Land area where forest and soil productivity has been significantly altered and that require actions aimed at its rehabilitation.
Production	Land area that due to its vegetation, climate, and soil conditions can carry out sustainable use of forest resources.
Forest protection areas that have been declared by the Secretariat	Protected areas established by SEMARNAT.
Other Uses	All other uses.

The categories are established by the Forest Owner with technical assistance from a professional registered in the National Registry of Foresters as a Provider of Forest Services. Sub-categories under Conservation and Restricted Harvest can vary. Table 2 provides a list of sub-categories often included in FMPs.

Table 2. Common Sub-Categories of Conservation and Restricted Harvest as Classified in Forest Management Programs

Conservation & Restricted Harvest	Protected Natural Areas
	Surfaces to conserve and protect the existing habitat of species and subspecies of flora and wildlife at risk, indicated in the applicable provisions
	Protective strip of riparian vegetation in terms of official Mexican standards and other applicable provisions
	Areas above 3,000 m
	Areas with slope above 100%
	Surfaces with mangrove vegetation and cloud mountain forest

⁹ <https://www.diputados.gob.mx/LeyesBiblio/pdf/LGDFS.pdf>;

https://dof.gob.mx/nota_detalle.php?codigo=5696430&fecha=24/07/2023#gsc.tab=0;

https://www.dof.gob.mx/nota_detalle.php?codigo=5607136&fecha=09/12/2020#gsc.tab=0

¹⁰ https://www.diputados.gob.mx/LeyesBiblio/pdf/146_200521.pdf

¹¹ The definition of classification of “restoration” under Forest Management Programs as presented in Table 1 is not aligned with the definition of Restoration as an Activity Area in the Mexico Forest Protocol.

	Scenic beauty
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While certain areas are defined and required by law, others are established voluntarily. Depending on the region and Forest Owner, the spatial allocation of the sub-categories may change over time. For example, land classified as Restoration may later become Production as the forest recovers. Furthermore, land classified under specific sub-categories of Conservation and Restricted Harvest areas may include sustainable harvesting currently and/or in future harvest permits.

To better address the interchangeability between different management classifications over time and the lack of consistency regarding areas otherwise receiving the same sub-classification, the Reserve has determined that further project-specific analysis is required to ensure alignment with the IFM definition and compliance with additionality criteria (see clarification to Section 3.13.2.1. Performance Standard Test – Improved Forest Management Activity Areas).

Clarification:

The following is supplemental to Section 2.1 of the MFP to clarify the IFM definition. Forest projects seeking to include an IFM Activity Area must demonstrate the areas comply with the Reserve’s definition of IFM to increase carbon stocks as the result of intentional activities associated with commercial harvesting. The type of silviculture and stewardship activities that can result in increased carbon stocks quantified under the MFP include:

1. Growing older forests

The decision to perform a final harvest on ‘crop’ trees (the remaining trees of a mature age cohort following any previous silviculture intervention) is based on an economic and biological analysis. In most forest types, the optimal point to harvest trees to maximize economic benefits, taking into consideration the time value of money, is years prior to the optimal point to harvesting trees according to the biological rotation (i.e. at the culmination of mean annual increment), which would yield the highest level of sustainable production. By extending the harvest rotation closer to the optimal biological rotation, forest management can increase carbon storage in both standing forest carbon and wood products, while providing greater ecosystem benefits. Carbon credit sales provide an economic incentive that addresses the opportunity costs associated with growing older trees.

2. Improving the stocking and health of the forests

Engaging in forest management activities while growing older trees is critical to ensuring healthy forest growth and reduce excessive buildup of surface and ladder fuels. Restoration of understocked areas can enhance forest growth. Commercial and pre-commercial thinning, focused on the retention of the best genotypes and phenotypes, help to ensure optimal growth while improving the resiliency of forest stands to drought, forests, and pests.

FMPs generally describe short-term harvesting levels that are developed within a broader assessment of future harvesting and forest growth over time and space, such that harvest levels can be sustained indefinitely. In this context, all forested stands included within an IFM Activity Area must be planned for commercial harvest at some point within a rotational

timeframe.¹² This includes stands that are planned for restoration that will be eligible for harvest in the future. The term “commercial harvest” is used throughout this Protocol to identify forested lands where regenerative silviculture is contemplated within a rotation (or “turn”); only areas where commercial harvesting is planned within an approved and valid FMP can be included in a IFM Activity Area.

It is equally important that IFM Activity Areas include *all* areas contemplated for commercial harvesting. In cases where the Activity Area is a subset of the areas planned for commercial harvesting in a FMP, it must include a proportional distribution of age classes compared to the areas planned for commercial harvesting to ensure against selective inclusion of forested stands that otherwise would not have been at risk of harvest for long periods of time. The age class distribution of the Activity Area must be within 5% of the distribution for the entire harvest area under the FMP. Only age stands that have been harvested should be included in the assessment of age classes; the age class assessment should be separated by even aged vs. uneven aged management units and categorized by years since last harvest in 5-year intervals.

Increased carbon storage from forest stands that are not considered within the context of commercial harvesting activities, and, therefore, will not benefit from intentional management actions to grow older trees or manage for healthy trees at appropriate stocking levels, cannot be included within an IFM Activity Area per the Performance Standard Test (see Section 3.13.2.1 Performance Standard Test – Improved Forest Management).

To facilitate the assessment of eligible areas to be included in an IFM Activity Area, forest projects must use the logic-flow included in Section 3.13.2.1 Performance Standard Test – Improved Forest Management.

¹² The rotational timeframe used for sustainability planning is recognized as a variable concept that is determined by landowners based on analysis of economics and forest dynamics. Additionally, the rotational timeframe within a forest carbon project may be adjusted due to the investments into silviculture due to carbon-related investment.

Section 3

2. Performance Standard Test (CLARIFICATION)

Section: 3.13.2.1 Improved Forest Management Activity Areas

Context: The Performance Standard Test (PST) consists of standardized analyses based on activity type to determine whether a risk of forest cover loss to a specific Activity Area is sufficient to warrant recognition that forest carbon enhancements, protected over a long time (100-year permanence), are considered additional. For IFM Activity Areas, the PST evaluates the existence of a Forest Management Program (FMP) authorized by SEMARNAT that permits harvesting for commercial purposes. Permitted harvest volumes under FMPs are established based on the forest growth of the area under the FMP; where landowners can demonstrate that the actual forest growth exceeds the allowable harvest identified in the FMP, SEMARNAT may accept an increase in the allowable harvest to reflect the estimated periodic growth more accurately. The protocol accordingly considers that all periodic growth under the FMP is at risk and, regardless of the current allowable harvest rate, any non-harvested periodic growth is additional.

Clarification: Permitted harvest volumes under FMPs are established based on the growth of the area classified or planned for harvesting under the FMP. The protocol accordingly considers that periodic growth within the areas classified or planned for harvest under the FMP is at risk and any non-harvested periodic growth is additional.

As detailed in the Improved Forest Management Definition Clarification, forest projects seeking to include an IFM Activity Area must demonstrate compliance with the IFM definition of the MFP and this Errata and Clarification to establish eligible areas that may be included in the Activity Area. Eligible areas will be determined based on the previous (if applicable), current, and verifiably planned future management activities. Areas are generally considered eligible if verified silviculture activities are implemented that lead to increased carbon stocks (see Table 3 Performance Standard Test: Logic Flow to Assess IFM Eligibility).

Generally, areas classified under the FMPs as Conservation and Restricted Harvest do not meet the criteria for the definition of IFM and would not be considered eligible for IFM Activity Areas per the PST. However, since FMPs are highly variable and change over time, these areas can only be considered as part of the IFM Activity Area if the FMP and harvest authorizations document silviculture strategies that are consistent with principles of commercial harvesting, even if the described rotation timeframes or harvest retention levels are distinct from general commercial harvesting. Areas in protected forests that have legal restrictions on commercial harvest declared by SEMARNAT are not eligible as an IFM Activity Area.

To facilitate the assessment of eligible areas to be included in an IFM Activity Area, forest projects must use the below logic-flow (Table 3 Performance Standard Test: Logic Flow to Assess IFM Eligibility). Responses must be supported by written documentation in the Forest Management Program, harvesting permits, and annual reports of harvest volumes to be verified (see Clarification 3 Project and Monitoring Reports). Project Developers must further document the project activities to be implemented over the life of the carbon

project to increase carbon storage, uptake, and durability (see Clarification 4 Project Verification).

Number	Question	Yes	No
1	Is the forested area contemplated for the IFM Activity Area within a SEMARNAT approved Forest Management Program?		
2	Are only forested stands ¹³ that will be scheduled for regenerative silviculture activities within the timeframe of the rotation (i.e. “turn”) per the approved FMP included in the IFM Activity Area? Note: This may include restoration areas in the short term that are planned for harvesting in the future within a forest rotation.		
3	Does the IFM Activity Area include all of the forested stands that meet the descriptions above? Alternatively, if the Activity Area is a subset of the entire area planned for commercial harvest under the approved FMP, is the age class distribution for the Activity Area within 5% of the age class distribution for the entire harvest area under the FMP?		
The land base is eligible for inclusion within an IFM Activity Area if the answer to all of the above questions is ‘Yes’.			

Table 3. Performance Standard Test: Logic Flow to Assess IFM Eligibility

Areas that are ineligible as part of the IFM Activity Area may alternatively assess eligibility as a Restoration Activity Area under the MFP by passing the Restoration PST and assuring alignment with the Restoration Activity Area definition. Areas that have been degraded due to commercial harvesting under a FMP may not be included in a Restoration Activity Area.

Section 7

3. Project and Monitoring Reports (CLARIFICATION)

Section: 7.1.2 Project and Monitoring Reports

Context: Project Reports are intended to communicate project information in a transparent manner and be available to the public. Project Reports are intended to serve as the main project document that thoroughly describes how the project meets eligibility requirements, the project’s environmental and social framework, and the current forest conditions, threats, and activities associated with the Project Area. The final KML file displaying the Project Area must be submitted with the Project Report along with a map of the Activity Area boundaries at the time of the initial verification (see Section 2.2 of the MFP V3.0).

Annual monitoring of Forest Projects is required to ensure up-to-date estimates of project carbon stocks and provide assurance that GHG removals achieved by a project have not been reversed.

¹³ A forest stand is group of trees with similar composition of species and distribution of age classes and is considered a management unit for planning and harvesting.

To align with the Improved Forest Management Definition Clarification, the Reserve is providing the following additional guidance for monitoring and reporting requirements.

Clarification: As part of the Project Report, the Project Developer must include the following:

- The SEMARNAT-approved Forest Management Program for commercial harvesting.
- Past, current, and any future harvesting permits in process of renewal or approval.
- A shapefile detailing the Project Area and Activity Area that displays the geographic areas associated with the management classifications from the Forest Management Program.
- The forest management goals for each of the management categories from the Forest Management Program.
- A timeline of planned silviculture activities as related to each management classification included in the Forest Management Program.
- A description of silviculture activities implemented in each management classification within the area included in the IFM Activity Area and how they align with the definition of IFM from the MFP V3.0 and Errata and Clarification.
- How silviculture activities are aligned with the Environmental Safeguards of the protocol.

As part of the Annual Monitoring Reports, the Project Developer must include the following:

- If modified, the current SEMARNAT-approved Forest Management Program for commercial harvesting.
- A shapefile detailing the Project Area and Activity Area that displays the geographic areas associated with the management classifications from the Forest Management Program (if changes have occurred).
- Current and future harvesting permits in process of renewal or approval.
- A timeline of planned silviculture activities for the area included in the IFM Activity Area and as related to each management classification included in the Forest Management Program.
- A description of silviculture activities implemented in each management classification within the area included in the IFM Activity Area.
- How silviculture activities are aligned with the Environmental Safeguards of the protocol.

Section 8

4. Project Verification (CLARIFICATION)

Section: 8.3.2 Project Area Definition

Context: As part of the initial verification, the verification body must verify that Project Report correctly confirms how each Activity Area meets the defined activity definition and states the defined activities that will lead to increased carbon stocks over time and not avoided emissions. To align with the Improved Forest Management Definition Clarification, the Reserve is providing the following additional guidance for verification.

Clarification: As part of the initial verification, the verification body must verify the documentation provided by the Project Developer as part of the Project Report to confirm

that the management activities reported are accurate and correctly reflect the past, current, and future planned silviculture activities implemented under the Forest Management Program and as part of the IFM Activity Area. The verification body must verify that the IFM Activity Area is aligned with IFM definition in the MFP V3.0 and Errata and Clarification and that the silviculture activities implemented will lead to improved forest health and increased carbon stocks over the life of the forest carbon project compared to “business as usual” activities as established by the PST.

As part of annual desktop or site visit verifications, the verification body must verify the documentation provided by the Project Developer as part of the Annual Monitoring Reports to confirm that any changes to the management activities presented in the Project Report have been correctly reported to the Reserve. The verification body must verify that the reported silviculture activities are aligned with the verifiable documentation (i.e., Forest Management Program, harvesting permits etc.) and have been implemented according to the reported timeline; verification bodies may use remote sensing imagery and/or apply professional judgment to determine if a site visit is required to confirm the implementation of the reported activities.