



GOVERNO DO ESTADO DE MINAS GERAIS

Secretaria de Estado de Meio Ambiente e Desenvolvimento Sustentável

Belo Horizonte, June 16th, 2010

To: TUV-SUD
Westendstrasse 199
80686 Munchen
Germany
C/C: Project Participants

Ref: Statement on context of the A/R CDM Project Activity "Reforestation as a renewable source of wood supplies for industrial use in Brazil", developed by Plantar and the World Bank's Prototype Carbon Fund.

To whom it may concern:

As members of the governmental and non-governmental organizations listed below, we would like to draw your attention to important aspects of the context of the A/R CDM project activity entitled "Reforestation as a renewable source of wood supplies for industrial use in Brazil", implemented by Plantar in rural areas of the State of Minas Gerais, Brazil.

It is important to make clear that the development of sound mitigation actions in the iron and steel industry is one of the main challenges within the scope of climate change and sustainable development policies in Brazil. This industry is a major economic development driver and the additional use of renewable charcoal from sustainably managed planted forests in the manufacturing process may play a major role in a future low-carbon economy. The potential climate benefits may occur through the generation of net GHG removals, resulting from new reforestation practices for the production of renewable charcoal, or through emission reductions accruing from the use of renewable charcoal as a reducing agent in the thermo-reduction process.

Nonetheless, the country has been facing an in serious deficit of renewable charcoal, which is widely known and well documented, due to a series of obstacles, ranging from the lack of sustainable corporate cultures to the lack of adequate regulatory schemes, proper policies and debt-funding structures. Moreover, one of the most pressing problems in the context of this industry was the use of non-renewable charcoal, extracted from native forests, which also resulted in other serious environmental losses. However, as legislation has severely restricted the use of non-renewable charcoal, iron and steel producers are left with very little alternatives other than the use of coal coke, given the still prevailing scarcity of renewable charcoal from dedicated and sustainable planted forests.

Aware of the above mentioned context, we recognize that additional incentives such as CDM can play a major role in the establishment of new and sustainably managed planted forests to supply renewable charcoal for the iron and steel industry, with a substantial potential to reduce GHG emissions and generate net GHG removals, in the same way they helped Plantar becoming the first company to achieve self-sufficiency in renewable charcoal. The need to overcome the above mentioned obstacles and to create additional incentives to tackle the deficit of renewable charcoal is recognized by several state and federal government bodies and civil society organizations, especially if one considers that the production of iron and steel in Brazil is expected to double within the next years. Such an increase will be almost totally based on coal coke, a global commodity, with substantially lower transaction costs, which does not face the seven-year harvesting gap inherent to the use of renewable charcoal.

As important as the potential climate benefit created by the use of renewable charcoal is the way the required planted forests are managed, including its social and environmental implications. Depending on the adopted management practices, the potential climate benefits may be



GOVERNO DO ESTADO DE MINAS GERAIS

Secretaria de Estado de Meio Ambiente e Desenvolvimento Sustentável

overwhelmed by negative environmental impacts. Although, a balanced analysis on the sustainability aspects of the renewable charcoal supply chain must also be weighed against the sustainability aspects of the coal coke production chain, we support strict social-environmental criteria for the establishment and maintenance of the planted forests, including biodiversity aspects, which can result in a major contribution to sustainable development.

One of the most appropriate ways of ensuring the fulfillment of such criteria is the adoption of independent forest certification schemes. We understand that all plantation areas, covered by the A/R CDM project activity at stake, are certified in accordance with the principles and criteria of the Forest Stewardship Council (FSC), a respected NGO which we all support. In this sense, we are confident that any relevant social or environmental issue related with the project's reforestation practices has been adequately addressed and, most importantly, is subject to a continuous improvement policy under strict accountability mechanisms.

To conclude, we wish to stress our support to the use of the CDM for the promotion of the additional use of renewable charcoal from sustainably planted forests in Brazil, since it has a substantial potential of being integrated with climate change and sustainable development policies, reinforcing the Kyoto Protocol's environmental integrity. In this context, the pioneer case of Plantar is a good example.

Truly yours,

José Carlos Carvalho

Secretary for the Environment and Sustainable Development of Minas Gerais - SEMAD

With the support of:

State Foundation for the Environment - FEAM
State Forestry Institute - IEF
Minas Gerais Water Management Institute - IGAM
Biodiversitas Foundation
Bioatlantica Institute
Conservation International
Friends of the Earth - Amazonia Brasileira
Institute for Environmental Research of the Amazon - IPAM
Minas Gerais Defense Association - AMDA
SOS Mata Atlântica
Minas Gerais Silviculture Association - AMS
Minas Gerais Iron Industry Association - SINDIFER
Brazilian Association of Planted Forests - ABRAF
Professor José Goldemberg - University of São Paulo
Professor Sebastião Valverde - University of Viçosa
WWF Brasil