



BeZero Carbon Rating FAQs

13th March 2023



What is a BeZero Carbon Rating?

A BeZero Carbon Rating represents BeZero Carbon's current opinion on the likelihood that a credit achieves a tonne of CO₂e avoided or removed. It is an opinion on the quality of the credits being issued. A simple alphanumeric symbol is used to convey this rating.

What a BeZero Carbon Rating is not?

A BeZero Carbon Rating is not a recommendation to invest, buy, hold, or sell a carbon credit. It is not a statement of and should not be relied upon in isolation. It is not a forecast of future carbon achieved nor does it aim to give information on the likelihood of future credit issuance by a given project. A BeZero Carbon Rating is one of the inputs used by stakeholders to understand the carbon quality of said carbon credit.

How does a BeZero Carbon Rating differ from an accreditation, monitoring and/or audit?

Project accreditors determine the process and methodology a project must follow in order to gain accreditation and issue accredited carbon credits. Each accreditor has a number of methodologies determining the parameters for the design and ongoing monitoring required of a project for it to be certified.

A project accreditation indicates that the project is eligible to issue tradable carbon credits under a given accreditation body. It ensures that certified credits issued by a project meet the minimum standard required to gain accreditation but does not provide an opinion on the relative quality of the carbon credits issued by a project.

Similarly, the Verification and Validation Bodies (VVBs) who audit a project look to verify and validate the details reported by the project in order to ensure it meets the accreditation requirements. The process does not require an opinion on the relative quality of the carbon credits.

A BeZero Carbon Rating is an informed opinion on the quality of the carbon credit, in terms of its likelihood to achieve 1 tonne of CO₂e avoidance or removal.

Are we saying that all carbon credits are not equal?

Yes, BeZero Carbon subscribes to the widely held belief that all carbon credits are not equal in quality. We have taken this belief forward and built an analytically rigorous process to assess the quality of carbon credits in terms of its likelihood to achieve 1 tonne of CO₂e avoidance or removal.

What is the analytical approach underlying a BeZero Carbon Rating?

BeZero Carbon has developed a proprietary methodology involving quantitative and qualitative factors and a blend of top down and bottom up approaches to assess the carbon quality of carbon credits.

We have identified six risk factors that may lead to variations in the carbon reduction or avoidance achieved by an offset project - these are i) additionality ii) over-crediting iii) non-permanence iv) leakage v) perverse incentives and vi) policy.

Each of these risks are individually assessed on their impact on the likelihood of the credits generated by the project to achieve 1 tonne of CO₂e avoidance or removal. The latest version of our methodology is available [here](#).

How is the BeZero Carbon Rating different from similar assessment/s?

We are aware of other assessment tools for voluntary carbon credits at various stages of development in the market. Understanding how these tools differ from the BeZero Carbon Rating is complicated by the lack of publicly available criteria and methodology documents in some cases.

Features of the BeZero Carbon Ratings approach includes, but are not limited to:

- Transparency and disclosure being the cornerstones of our approach to ratings.
- Adopting a publicly disclosed criteria and methodology to rate credits issued by projects.
- Retaining our independence by not engaging in directly developing carbon projects, or recommending/trading carbon credits.
- Ensuring our headline letter ratings are also freely available in the public domain.
- Rating projects across all sectors, including both nature based and non-nature based solutions.
- Undertaking a holistic assessment of the project from six distinct risk factors, using qualitative and quantitative macro and micro techniques.

Is the BeZero Carbon Rating criteria and methodology publicly available?

Yes. Transparency is the cornerstone for the sustainable development of a liquid and vibrant carbon market. The BeZero Carbon Rating Methodology has been in public domain since July 2021 and will continue to be available in line with global best practices. It can be found [here](#).

Are the BeZero Carbon Ratings publicly available?

All headline letter ratings assigned by BeZero Carbon, including a ratings summary view, is available free of charge via our [website](#). All additional ratings analysis is available on the BeZero Carbon Markets platform, with information such as headline letter ratings and ratings summaries also made available via our API solution.

What is BeZero Carbon's commercial model?

BeZero Carbon Ratings can be accessed digitally via our platform - BeZero Carbon Markets - or through API integration. Headline letter ratings and ratings summaries are shared publicly via our website. Users may also pay an annual subscription based on tiers. Not all content available on BeZero Carbon Markets is available for API customers.

All use of BeZero Carbon's information is subject to usage guidelines and associated subscriber terms and conditions.

Note: neither the BeZero Carbon Markets platform or API provide privileged access to unpublished ratings.

Who pays for the BeZero Carbon Ratings?

BeZero Carbon rates projects based on our selection criteria with a view to assigning ratings to the most relevant projects in the Voluntary Carbon Market. The projects chosen reflect the priorities of BeZero Carbon.

BeZero Carbon also accepts requests to rate projects. These may be on an ad hoc basis from market participants; as part of their broader subscription package for BeZero Carbon Markets / API users; or as part of a wider commercial partnership, such as with an exchange or marketplace. In the event that fees are applied, fees depend on the type of project, the user status, and the partnership terms, but are in no way linked to the rating assigned.

All third party commissioned BeZero Carbon Ratings are subject to the same ratings criteria, and publication process as internally chosen projects.

Note: neither the BeZero Carbon Markets platform or API provide privileged access to unpublished ratings.

Which sectors does BeZero Carbon Ratings cover?

BeZero Carbon Ratings are available across all sector groups of the Voluntary Carbon Market spanning Energy, Household Devices, Industrial Processes, Nature Based Solutions, Tech Solutions and Waste. Our sector classification system is available [here](#).

Does BeZero Carbon Ratings cover projects from all accreditors?

Yes. BeZero Carbon Ratings are available across all accredited projects that adhere to a minimum standard of transparency and information disclosure as regards projects. Details of what represents minimum standards are available in our qualifying criteria document [here](#).

Is the BeZero Carbon Rating a static or dynamic assessment?

BeZero Carbon Ratings are not a one time exercise - we monitor the projects on an ongoing basis. We rate projects based on all publicly available information to assign a rating. Once assigned, the team is responsible for monitoring all material developments on the project and factors affecting the project. In case we are of the view that any of these developments will have an impact on the assigned rating, we reserve the right to put ratings under 'watch' and/or revise them.

What does it mean if a rating is on "watch"?

BeZero Carbon uses a "watch" system to alert the market of potential changes to assigned ratings. Ratings may be put under 'watch' in the event BeZero Carbon is aware of new information and/or changes to information relating to project and/or macro factors which may have a material impact on the rating. More information on our Monitoring, Watch and Withdrawal Processes can be found [here](#).

What is the validity period of a BeZero Carbon Rating?

BeZero Carbon Ratings are valid across the life of a project's credit until retirement.

What are the benefits of BeZero Carbon Ratings?

BeZero Carbon Ratings provide a relative assessment of the quality of carbon credits, enabling finer gradation of risk within carbon credits. The availability of risk/quality assessment are a critical (and hitherto missing) element in pricing carbon credits. Investors and buyers can now pay a risk adjusted price for the carbon credits they purchase. Developers are able to better understand the quality of their carbon credits and thereby price credits appropriately. Intermediaries are now well positioned to provide well informed, risk adjusted buy-sell prices.

BeZero Carbon Ratings provide the essential mechanism for pricing of voluntary carbon credits, enhancing liquidity and transparency. A vibrant, liquid and quality conscious Voluntary Carbon Market will be essential in order to contribute to global net zero goals.

What do the various rating symbols mean?

BeZero Carbon Ratings uses simple letter symbols to convey its ratings. The symbols form an 8-point scale, each of which describes the likelihood of achieving 1 tonne of CO₂e avoidance or removal. There are eight distinct corresponding risk descriptors ranging from "highest likelihood" to "lowest likelihood". More information on our rating scale can be found [here](#).

Does the new 'D' rating imply that the project has 'failed'?

No.

The introduction of a 'D' rating as our lowest point does not imply that a credit, or the project it is issued by, has failed. Projects given this rating are in our view the least likely to deliver on their core carbon claim in comparison to all other rated projects with higher ratings.

We believe it is the role of Standards Bodies to formally classify a project as 'failed'.

Are BeZero Carbon Ratings independent and free of conflicts?

The BeZero Carbon Rating is an independent assessment of the likelihood that a credit achieves a tonne of CO₂e avoided or removed. BeZero Carbon undertakes this activity entirely free of any conflict that may impact our assessment. This includes, but is not limited to buying, selling, owning or recommending carbon credits, developing or advising on the development of carbon credit projects, receiving any financial benefit linked to the rating assigned to a project and its credits.

Updates and Reviews

Version number	Date	Description
1.00	04/04/22	Initial release
1.01	01/07/22	Links updated to reflect updates in visual and verbal styling
1.02	07/11/22	Updated links and disclaimer
1.03	22/11/22	Updated contact details
1.04	13/03/23	Rating scale transition from seven-point scale to eight-point scale

Disclaimer

The BeZero Carbon Rating of voluntary carbon credits represents BeZero Carbon's current opinion on the likelihood that carbon credits issued by a project achieve a tonne of CO₂e avoided or removed. The BeZero Carbon Rating and other information made publicly available or available through the BeZero Carbon Markets platform ("Content") is made available for information purposes only. The Content and in particular the BeZero Carbon Rating sets out BeZero Carbon's opinion on a particular carbon credit or project based on publicly available information as at the date expressed and BeZero Carbon shall have no liability to anyone in respect of the Content, opinion and BeZero Carbon Rating. The Content is made available for information purposes only and you should not construe such Content as legal, tax, financial or investment advice. The Content is a statement of opinion as at the date expressed and does not constitute a solicitation, recommendation or endorsement by BeZero Carbon or any third party to invest, buy, hold or sell a carbon credit. The Content is not a statement of fact and should not be relied upon in isolation. The Content is one of many inputs used by stakeholders to understand the overall quality of any given carbon credit. BeZero Carbon shall have no liability to you for any decisions you make in respect of the Content. If you have any questions about BeZero Carbon, the BeZero Carbon Rating, the BeZero Carbon Rating methodology, qualifying criteria, rating process, any element of Content, the BeZero Carbon Markets platform or otherwise please contact us at: commercial@bezerocarbon.com.