



# BeZero Carbon Rating Methodology

6th July 2022



A BeZero Carbon Rating (BCR) is derived using a four stage process.

### Stage 1: macro factor assessment

A top-down assessment is made according to each of the following characteristics of a project's credits:

- **Country:** BeZero makes an assessment on the country-specific risks a project faces, including the strength of the property rights in a project's location and how supportive the policy environment is to the success of the project's credits.
- **Sector:** there are three levels to the BeZero sector classification: sector group, sector and sub-sector. BeZero makes an assessment of the general risks a project is exposed to at each sector level. For example, we assess the relative cost-competitiveness of solutions in different sectors.
- **Methodology:** BeZero makes an assessment on how the accreditation methodology followed by a project impacts its risk exposure. For example, we assess the different ways a project baseline can be set through a given methodology.

Once complete, BeZero assigns initial scores for each of the six risk factors facing the project.

### Stage 2: project specific assessment

The next step is to make an assessment of project-specific risks.

All publicly available information relevant to the project's credits are taken into consideration including, but not limited to:

- An assessment of all accreditation documents
- Any additional documents published by the project
- Peer reviewed research papers
- Industry literature
- Social and economic data
- Location specific research or documentation
- Any other relevant indices and metrics

Considerations made at this stage include, but are not limited to:

- The additionality test applied
- The baseline set by the project
- The time period committed to by the project
- The change in carbon stocks and any leakage considerations
- Any additional risks accounted for by the project

Once complete, the risk factor scores arrived at in stage 1 may be adjusted up or down to reflect both the macro and project specific risks.

### Stage 3: risk factor weighting

Each risk factor is assigned a specific weighting and the product of these are summed. The weightings are based on the team's assessment of a risk's relative importance to the overall rating. The individual risk factor weightings are presented in the chart below:



A minimum of 80% of total risk factor weighting must be accounted for in order for a project to be given a provisional rating.

In the event that insufficient evidence has been found to assign a score to a risk factor, that factor receives a weighting of zero. The weight of this score is then re-distributed across the remaining risk factors, in proportion to their risk weighting. This approach ensures that the overall rating is assigned based on an aggregate risk weighting of 100%.

It should be noted that assigning the rating is a deeply analytical process whose sole objective is to assign ratings reflective of the carbon credit's quality. In exigent circumstances where a specific risk factor is considered to have an overbearing impact on the overall rating, the rating can be driven by or constrained by the said factor.

#### **Stage 4: BCR committee review**

The Rating Committee formally reviews all provisional ratings. The committee is made up of all BCR Analysts, and is chaired by a senior member of the ratings team. At the committee, BCR Analysts present their analysis and rating recommendations. The Rating Committee's role is to interrogate their recommendation by asking questions and/or seeking clarifications.

If the Rating Committee requires additional information or clarification which cannot be addressed at the meeting, the rating remains provisional until all outstanding issues are deemed as resolved by the committee.

Unanimous approval by the Rating Committee is required for a final BCR to be assigned.

## Updates and Reviews

<b>Version number</b>	<b>Date</b>	<b>Description</b>
1.00	04/04/22	Initial release
1.01	06/07/22	Updated with additional details around how we consider 'dominant' risk factors

## Disclaimer

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