

Abatable carbon policy assessment methodology

This document explains the methodology underpinning Abatable's carbon policy assessments.

Overview.....	2
Risk and opportunity areas.....	3
Areas covered.....	3
Possible scores.....	4
Forecasting.....	4
How assessments are conducted and reviewed.....	5
Scoring.....	5
Assessment revisions.....	5
Interviews and peer review.....	6
Review of this assessment framework.....	6
Annex 1: Options and their definitions.....	7
Annex 2: Interview questions.....	10

Overview

Abatable has developed a distinctive, VCM-focused carbon policy assessment framework that allows users to comprehend and compare policy risks and opportunities across jurisdictions. The framework consists of eight overarching risk themes that encompass the primary carbon policy risks encountered by investors and developers. The policy assessments depict the current state of carbon policy and offer insights into future policy direction.

This methodology document explains the functionality of the framework and the assessment process for various jurisdictions. For inquiries regarding the methodology, please reach out to policy@abatable.com.

Risk and opportunity themes

Themes covered

The framework covers eight risk and opportunity themes. These have been identified through the Abatable team working closely with investors and developers to determine which areas have a material impact on carbon projects. The themes are:

Export of VCM credits

The export of carbon credits involves selling or transferring carbon credits internationally to be retired or traded. Here, we aim to understand whether the jurisdiction may ban the export of carbon credits temporarily or permanently.

Carbon rights

Carbon rights are a form of property right that 'commoditise' carbon and allow it to be traded. This theme aims to understand whether carbon rights are legally defined in the jurisdiction and if so how they are attributed and transferred.

Article 6 engagement

This refers to a jurisdiction's initiatives to operationalise Article 6.2 and 6.4 of the Paris Agreement. Here, amongst other key elements of Article 6, we aim to understand the readiness of the jurisdiction to issue corresponding adjustments and letters of authorisation.

Policy-driven impacts on project economics

This theme identifies government measures that negatively impact carbon project economics if unreasonable, including taxes, benefit-sharing rules or NDC carve-outs.

Administrative requirements

This refers to the steps carbon project developers must follow to have their projects recognised and authorised by their host government.

Government carbon market sophistication

This refers to whether the government has the technical expertise to develop and implement carbon market policy, regulation and infrastructure.

Property rights

Property rights are legal entitlements that define an individual's or entity's exclusive authority over a resource or asset, encompassing the right to use, control, and transfer that property. This theme assesses property rights strength and access.

Convergence with compliance markets

This refers to whether the host country allows VCM carbon credits to be used towards national or subnational compliance mechanisms.

Possible scores

For each of these risk and opportunity areas, we have codified a set of scenarios which we have developed based on our experience of assessing jurisdictions. The scenarios are attributed a score from 0 to 100. When conducting an assessment, the analyst chooses the scenario that represents the current reality, applying the corresponding score, and then determines a score for future policy direction, which could be stable, improving or worsening.

Risk area	Options	Option score
Export of VCM credits	Export of VCM credits is permanently prohibited	0
	Explicit or implicit moratorium on export of VCM credits	25
	VCM credits export occurs in policy limbo	50
	Supportive carbon market policy, but VCM export uncertainties persist	75
	Rules for export of VCM credits are embedded in regulation	100

For example, as of November 2023 there is an implicit moratorium on the export of VCM credits in Indonesia. This means the score for the 'Export of VCM credits' theme will be 25, a low score flagging a risk.

All possible scenarios for each theme are detailed in [Annex 1](#).

Future policy direction

In addition to providing a perspective of where carbon policy currently stands users are also provided with an indication of whether, for each theme, policies are improving, worsening or stable. A score is also provided representing the direction of policy.

How assessments are conducted and reviewed

Scoring

Abatable's policy team members assess jurisdictions based on their own expert understanding of the countries' carbon policy environment, using information from structured intelligence gathered through expert interviews alongside open sources.

Current scores

The scenarios in our methodology represent the current policy landscape of a jurisdiction. These are based on publicly available information such as issued policies, regulations, frameworks, or the lack thereof. To determine the current score, Abatable's policy analysts will review relevant documentation identified through desktop research and interviews.

Forecasted scores

Forecasted scores are assessed both on hard and soft evidence. Hard evidence can be defined as public government signals of directionality, including workshops, public announcements or consultations that provide a sense of what future carbon policies may entail. Soft evidence is defined as informal intelligence local experts share from their engagement with local and national governments.

When assigning a forecasted score, the analyst will assign it a confidence level based on the below criteria:

- **High confidence:** Draft documents were reviewed by the team and are now being enacted, or we have received direct confirmation from policymakers.
- **Medium confidence:** Official documents exist, but we were unable to review them, and/or the government has low carbon institutional capacity.
- **Low confidence:** There have been no official statements, we have these insights from discussions with local stakeholders.

The forecasted scores also include a timeline indication.

Assessment revisions

Abatable has developed a monitoring system which tracks changes to government websites and the publication of new carbon-related policies, and which includes media monitoring. When an event is deemed material enough by the policy team, a review of the assessment is triggered, also sending an alert to users.

Our assessments are reviewed at least quarterly as a health check. Interviews are conducted to understand recent developments and what to expect going forward.

Interviews and peer review

Expert interviews

For every jurisdiction we conduct at least two interviews, and we conduct a further one or two interviews to validate our initial assessment. Interviews are conducted on an anonymous and confidential basis to enable interviewees to speak freely. Interviewees are local project developers with direct policy engagement experience, lawyers or policymakers. Interviews last about 45 minutes and follow a structured format (see [Annex 2](#)).

Peer review

Each of our assessments is peer-reviewed by our partner Ecorescurities, a project developer focused on energy transition and technology projects, nature-based solutions and community-based programmes. They review our assessments for accuracy and clarity.

Review of this assessment framework

This assessment framework is regularly reviewed to ensure it captures the latest policy risks affecting the market and delivers clear and actionable insights to policy assessment users.

If you have any feedback at any time, please email policy@abatable.com.

Annex 1: Options and their definitions

Risk area	Option	Score	Explainer
Export of VCM credits	Export of VCM credits is permanently prohibited	0	Host country permanently bans the export of VCM credits as part of policy.
	Explicit or implicit moratorium on export of VCM credits	25	Host country imposes an explicit (e.g. via a decree) or implicit (e.g. regulation states that certain infrastructure requirements such as a national registry must be in place to export credits) moratorium on the export of VCM credits.
	VCM credits export occurs in policy limbo	50	Host country has not engaged with carbon markets, but carbon projects do exports VCM credits.
	Supportive carbon market policy, but VCM export uncertainties persist	75	Host country has issued supportive policies towards the carbon market but key uncertainties exist, including the differentiation between Article 6 and VCM credits.
	Rules for export of VCM credits are embedded in regulation	100	Host country regulation is clear on the rules which apply to VCM projects, with a clear differentiation between Article 6 and VCM
Carbon rights	Retroactive nationalisation of carbon rights	0	Host country nationalises carbon rights of all project types retroactively, negating existing carbon rights.
	High rights contention between government, communities and developers	25	Carbon rights are not legally defined for any project type and communities or governments often dispute carbon rights.
	Inferred, and typically defined contractually, but not disputed	50	Carbon rights are not legally defined for any project type, but inferred, but disputes over carbon rights have been very rare.
	Defined for some project types covering the majority of issuances	75	Carbon rights are legally defined for some project types, typically land-based ones.
	Legally defined and accepted for all project types	100	Carbon rights are legally defined for all project types and there is no contention with communities or project developers.
Article 6 engagement	Strong stance against Article 6	0	Government is not planning on engaging with Article 6 for the foreseeable future, leading to uncertainty for VCM stakeholders.
	No indication of Article 6 engagement	25	No public indication of whether the government intends to engage or not.

	Intention to engage is clear, but low operationalisation	50	Intention to engage has been made clear, via NDC or appointment of Designated National Authority but little operationalisation work has been achieved
	Article 6 regulation and/or operationalisation in progress	75	Government is working on issuing Article 6 guidance in a timely manner, providing clarity to VCM stakeholders.
	Article 6 rules exist and are operational	100	Article 6 guidelines exist and are being operationalised.
Policy-driven impacts on project economics	All carbon projects are unviable due to policy impacts on economics	0	The host country's fiscal measures has rendered carbon projects uneconomic.
	Some carbon projects are unviable due to policy impacts on economics	25	The host country has imposed taxes or benefit sharing rules deemed onerous by developers and investors.
	The absence of policy results in no impact on project economics.	50	Projects operate in limbo, not paying taxes on carbon projects or following benefit sharing regulation.
	Reasonable impact on project economics covering majority of issuances	75	Some taxes apply, for example VAT or benefit sharing but they are deemed reasonable by local developers and investors.
	Reasonable impact on project economics covering all project types	100	VCM projects are exempt from taxes or other requirements such as benefit sharing and this is acted in law or regulation.
Administrative requirements	Unreasonable requirements prevent project development	0	Registry, authorisation process and fees exist but are not useable, cause delays and / or bribes are expected.
	Ad-hoc approach exposing projects to corruption practices	25	The government takes a ad-hoc approach, providing authorisation letters to some projects.
	No requirements, projects exist in limbo	50	There are no administrative requirements as the government is not regulating carbon markets, leading to high uncertainty.
	Requirements are under development and expected to be reasonable	75	Rules are being developed and heading in a positive direction.
	Requirements exist and are reasonable	100	Registry, authorisation process and fees are straightforward and reasonable.
Government carbon market sophistication	Rash policy decisions with severe impacts on projects are commonplace	0	Host country has never regulated or implemented carbon infrastructure and does not have in-house capacity to do so.
	Poor carbon market governance and confusing policy landscape	25	Host country has some experience regulating carbon infrastructure but there are agencies or ministries conflict over who regulates.
	Clear governance but little policy experience with VCM	50	Government has a low carbon institutional capacity, leading to causing delays and incoherent policies and

			regulations.
	Clear governance and good stakeholder engagement practices	75	Government has a high technical capacity, or is being supported by external organisation, and is developing supportive and coherent policies and regulations
	Highly experienced in carbon policy with very stable policymaking	100	Government is a trailblazer.
Property rights	Land grabs and expropriation are commonplace	0	The risk of expropriation by the government is very high, typically associated with weak rule of law.
	Conflicts over land tenure are commonplace	25	Conflicts between communities and neighbours over land tenure are frequent due to weak land registration and tenure systems.
	Land rights are difficult to obtain but are somewhat secure	50	Land rights are respected but are very difficult to obtain due to local regulation.
	Land rights are somewhat secure and straightforward	75	Land tenure is somewhat secure, meaning that conflicts or expropriations are very rare.
	Land rights are highly secure and easy to obtain	100	Land tenure is very secure and property rights of carbon projects are not disputed due to high rule of law.
Convergence with compliance markets	No carbon pricing mechanism exists	0	The country does not have any operational compliance carbon pricing mechanisms or plans to develop them
	Compliance market in development but no mention of flexibility	25	Carbon pricing mechanisms are in development but they currently do not include mentions of allowing carbon credits to be used
	Compliance market in development and mention of flexibility	50	Carbon pricing mechanisms are in development and it includes mentions of allowing carbon credits to be used
	Compliance market allows for national carbon credits	75	Carbon pricing mechanism is operation and allows for credits developed in the country to be used, leading to national demand
	Compliance market allows for international carbon credits	100	Carbon pricing mechanism is operation and allows for credits developed in the country to be used, leading to international demand

Annex 2: Interview questions

Below are the basic questions the Abatable policy team asks interviewees. This is not a comprehensive list as additional questions are often asked to clarify points specific to a certain jurisdiction.

1. In your opinion, what are the biggest policy risks investors should be aware of when considering a project in [country name]?
2. In your opinion, how does the government feel about carbon markets?
3. What are the government's views of the VCM more specifically?
4. Are you aware of the government's intention to leverage Article 6? If yes, how would VCM projects interact with it in your opinion?
5. Are you aware of any taxation or benefit-sharing discussions for VCM projects?
6. Are carbon rights legally defined in [country name]? If not, how do projects go about defining carbon rights?
7. What are the current administrative requirements to develop a carbon project and issue and trade credits in [country name]?
8. Do you expect additional administrative requirements to be introduced?
9. How would you describe the government's carbon institutional capacity and its ability to develop carbon market policy and regulation and operationalise it?