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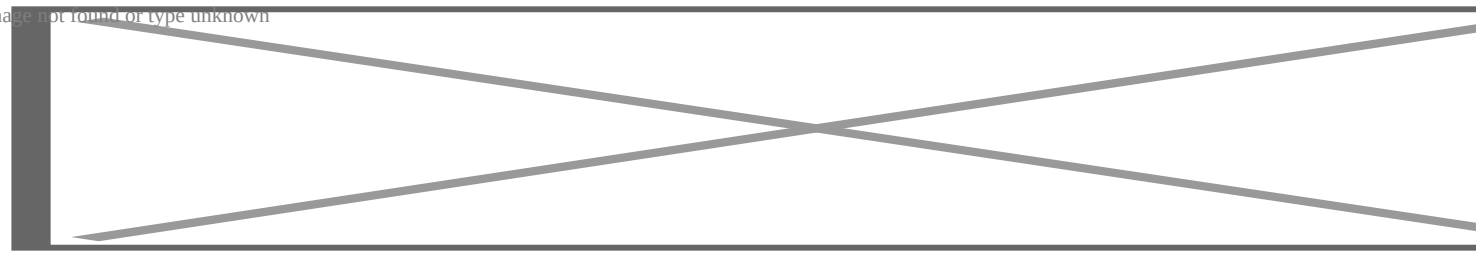
Process to Conducting Assessments: Project Preparation, developing sustainable co2 concepts and low reduce co2 en

Process to Conducting Assessments: Project Preparation

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On this page: *The Framework outlines the key elements and criteria that projects will be evaluated on at each stage of the project assessment. Read more below, or visit Strategic Guidance for Country System Assessments, Guidance for Countries in Assessing ERC Projects, or Mobilizing ERC Finance.*

Figure 1.3 Project assessment process



The Framework outlines the key elements and criteria that projects will be evaluated on at each stage of the project assessment. See Figure 1.3. The assessment process consists of four steps—two where assessments are required and two as a decision-making step from each assessment step—and an initial pre-assessment step to determine the country inputs required for the first objective of the Framework.

Step Zero: Determine country inputs

As a follow-up step to the country assessments conducted as part of the first ERP workstream, this pre-assessment step defines country-specific inputs that will be used as a basis for Step One of the project assessment process. This step first assesses various ERC project types based on their alignment to the country's green economy priorities and potential to contribute to the country's Nationally-Determined Contribution (NDC) sector priorities. Second, it assesses the readiness of the country to facilitate Article 6-aligned transactions under the Paris Agreement, and the potential eligibility of project types that can be authorized for Article 6 transactions, such as for corresponding adjustments (CAs). The establishment of inputs for these parameters should be a reiterative process which can adapt to consider evolving market dynamics and shifting priorities.

During this step, the use of the criteria for decision-making should be decided based on the objectives of the exercise, as described in Emission Reduction Credits.

Should the exercise prefer to assign an overall score to the project based on its rating for each criterion, the scale and weight of indicators for the initial profiling and/or assessment can be determined. The rating of the project against each assessable criterion can be assigned an equivalent number from 1 to 5 as well[1].

Step One: Conduct initial profiling

Once country inputs are determined, the first step of the assessment is to conduct an initial profiling of the considered project(s). This step seeks to (1) understand the project's context, (2) estimate the project's high-level potential for value maximization, (3) confirm that core carbon-quality principles are in place, and (4) describe the project's alignment to country objectives, based on a first-level set of criteria outlined in the Project Assessment Framework.

The Project Profile Template, see Appendix A, serves as a tool to collect and analyze information on the considered project(s), informing decisions to shortlist or identify priority projects that are likely to generate high-value, high-quality, cost-effective ERCs. Step-by-step guidance on how to utilize the template and the fields that require inputs are indicated in the 'Guide' tab.

The Project Profile Template includes five main sections:

1. **Project information**: Summary of key information on the project activity, location, sector, status, and project proponents and participants.
2. **Financial value**: Overview of the project's ERC value and the additional value enabled by the project, the components counted towards these two values, and the ratings assigned to these values based on the inputs and assumptions used.
3. **Carbon integrity and environmental and social risk management**: Subcomponents and checklists for the best practice measures or plans in place to demonstrate the project's carbon integrity at a standard and project level, and environmental and social risk management.
4. **Strategic national alignment***:* Overview of the project's rating for its alignment to the country's priorities, socioeconomic value, and Article 6 readiness and eligibility potential.
5. **Overall assessment**: Overview of project's performance against all attributes and recommendations for improvement or consideration based on evaluation.

In the carbon integrity and environmental and social risk management sections, subcomponents are check-listed rather than rated. This is intended to provide an initial check of whether the project meets basic compliance to the criteria before further and more in-depth checks are conducted in the Project Assessment exercise. Each subcomponent will have a possible response of 'Yes'—project meets the criteria set out in the guidelines in its entirety—or 'No'—project does not meet the criteria in part of in whole as set out in the guidelines. Similarly, under strategic national alignment, the project's socioeconomic value is also check-listed in the same approach before a further assessment of the credibility of these indicators is conducted in the Project Assessment exercise.

The other criteria under financial value and strategic national alignment are rated based on the guideposts provided in Determining Country Inputs and Initial Profiling and Preliminary Decision. In the same vein, the extent to which the project is able to meet the full check-list for the carbon integrity and environmental and social risk management sections will be given a similar rating scale. The rating scale is as follows:

Image not found or type unknown Most best practice measures in place.

Image not found or type unknown Some best practice measures in place.

Image not found or type unknown A few best practice measures in place.

Image not found or type unknown No measures in place.

Image not found or type unknown
No or insufficient information available to assess.

The initial profiling exercise is expected to require a half-day full-time equivalent (FTE) effort, taking inputs largely from the project documents and targeted desktop research. The sources of reference for all required inputs are indicated in the Project Profile Template.

Scored criteria	Criteria that reflect project's…
F1. Project ERC value	Potential to **fetch high-value pricing**
F2. Additional value enabled by project	
C1. Standard-level carbon integrity	
C1. Project-level carbon integrity	Potential to **attract high demand**
C2&3. Environmental & social risk management	
S1. Green economy priorities	
S2. Socioeconomic value	Alignment to **country objectives**
S3. Article 6 readiness and eligibility	

Figure 1.4. Consideration of criteria for initial profiling evaluation

Each criteria in the initial profiling stage reflects the potential for the project to meet the key objectives of the Guidelines, which can be used to assess the project's overall potential to achieve high-value pricing and attract high demand. See Figure 1.4.

Step Two: Make preliminary decision

Based on the evaluation of the project's attributes across F1, F2, C1, C2, C3, S1, S2 and S3 against the 4-level rating scale, and the priorities of the exercise, the initial profiling will inform a preliminary decision on whether to shortlist, waitlist, or deprioritize a project, if assessing a pipeline of projects, or for a go/wait/no-go decision if assessing individual projects. It will also recommend high-level opportunities for consideration, focusing on implementable measures to bring the project closer to market best practice.

Step Three: Conduct assessment

Once projects are passed through Step Two, these projects will then undergo a more detailed assessment. As this process assumes a step-by-step approach to assessing a project, as highlighted in Emission Reduction Credits, should the use of this Guidelines prefer to go directly to a more detailed assessment, the analysis conducted for S1 and S3 in Step One can also be added to this step in such a use case. Given that the inputs for S1 and S3 are limited, they have been excluded from the more detailed assessment in Step Three, which focuses more on project-level attributes and mechanisms. Likewise, for use cases that prefer to focus on Step

One of the process, the evaluation of the project's execution quality dimensions included in this step can be used separately to complement the assessment. These criteria are only included in the more detailed assessment given that they require projects to have a plan to access ERC generation, such as an MRV plan for data collection and developing the necessary documents for registration and verification, and a marketing plan for securing buyers for the project.

The conduct of assessment step seeks to (1) assess the project's potential for value maximization, (2) evaluate key dimensions relating to the project's execution quality, (3) confirm that carbon integrity and environmental and social risk factors can be addressed, and (4) assess the project's socioeconomic value, based on a second-level set of criteria outlined in the Project Assessment Framework. The Project Assessment Template, see Appendix B, serves as a document to collate detailed information on shortlisted projects to assess their alignment with best practices for essential indicators of high-quality and best-value projects in a global market. Examples of inputs required for the assessment are provided in the template.

The Project Assessment includes three main sections:

1. **Summary:** Summary of the project's alignment to best practice across all assessed criteria, observations from assessment, and action points recommended for the project proponents.
2. **Project assessment:** Assessment of project's closeness to best practices of the subcomponents under each criterion.
3. **Project information:** Summary of key information on the project activity, location, sector, status, and project proponents and participants, extracted from Step One for easy reference.

For this exercise, the project's closeness to best practice or alignment with market expectations is rated for each subcomponent, where the overall rating for the criterion will be based on an average of the project's rating across all subcomponents.

Given that there are multiple subcomponents for each criterion, and that compliance for these will likely be in a spectrum, the guideposts provided in Project Assessment and Final Decision will describe the level at which projects are at "best practice" and the level at which they have "some opportunities for improvement", beyond which the user of the Guidelines can use the following approach to assign the other ratings, as follows:

*Best practice or alignment with the market***:** Project's documentation and/or evidence for the specific component points to all the attributes being met in whole to enable achievement of the overall objectives.

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Good practice or alignment with the market: One or two key attributes of the best practice guidance may not be met, but the project as a whole has more attributes than in the "some opportunities for improvement" level.

*Some opportunities for improvement to better align with market expectations***:** The project's attributes or measures more closely meets the guidance indicated at this level OR a significant proportion of its attributes do not meet the attributes that indicate alignment to best practice.

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Significant opportunities for improvement to align with market expectations: Project does not meet the requirements for a few or a significant number of the attributes in the next level.

Where the rating system differs for a specific criterion, this is reflected in the guideposts provided in Project Assessment and Final Decision. Assessments of the project should primarily evaluate if the objective of the particular component is addressed based on the guideposts, instead of whether they are similar to the setup in the case studies or in other projects. This acts to acknowledge the highly contextual nature of ERC projects. Assessments of specific components should also be, to the best extent possible, made based on information recorded in documents or otherwise captured from verbal discussions into formalized records or minutes of

meetings to ensure that the decision taken during this process may be later reviewed and proven to be robust. Information gaps may still be acknowledged as opportunities as part of the assessment, and in the recommendations, which can inform the project proponents of possible next-steps or clarifications needed that can help bring the project closer to best practice that would be most aligned with global VCM standards for high-quality ERCs, from a buyer's perspective.

In addition, while guideposts have been provided to demonstrate a best practice for each criterion, there could be a potential for biases depending on the perspective and position of the assessor. Governments should take these potential risks into account when reviewing the assessments.

The assessment is expected to take 15 to 20 FTE days effort, taking inputs largely from a combination of the project documents, desktop research, and project participant interviews. The sources of reference for all required inputs are indicated in the Project Assessment Template.

Scored criteria	Criteria that reflect project's…
F1. Project ERC value F2. Additional value enabled by project	Potential to **fetch high-value pricing**
Q1. MRV infrastructure Q2. Marketing, sales, & pricing Q3. Project governance & structure	Potential to **fetch high-value pricing** and **attract high demand**
C1. Carbon integrity C2. Environmental risk management C3. Social risk management and benefits	Potential to **attract high demand**
S2. Socioeconomic value	Value to **country objectives**

Figure 1.5. Consideration of criteria for project assessment

Similar to Step One, each criteria in the conduct of assessment step reflects the potential for the project to meet the key objectives of the Guidelines, which can be used to assess the project's overall potential to achieve high-value pricing and attract high demand. See Figure 1.5.

Step Four: Make final decision

The Summary section of the Project Assessment Template will provide an overview of the project's alignment with best practice and market expectations across each assessed criteria. Based on the priority of

each criterion for the exercise, this can be used to inform decisions over whether to approve or deprioritize the project, to do so after key concerns are addressed, or to deprioritize the project until a specific change in circumstances.

Further subsections of the Summary serve to support this decision-making step by providing insights on the assessment, such as areas the project is faring particularly well in, or elements that the project is lacking in, as well as recommended action points for the project proponents that can help bring it closer to best practice that would be most aligned with global market standards for high-quality ERCs. These recommendations are intended for government users of the Template, supporting them to provide next-step actionable items for project proponents to consider aimed at increasing the potential value and demand of their project in the global VCM. It also acts to offer an indication of what areas project proponents might need support in. For example, government bodies could provide capability-building support for indications of projects where MRV capabilities could be strengthened, or monetary incentives and access to capital for projects where financial value is not as attractive due to high costs of development.

Footnote 1: The option to score projects is further described in Further Guidance for Application

.

Related Content

- **Guidance for Countries in Assessing ERC Projects (Download PDF version)**

Additional Resources

- Identifying PPP Projects
- Structuring PPP Projects

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