

METHODOLOGY DOCUMENTATION

LoA Risk Score

Project-level revocation and non-delivery risk scoring for Article 6 Letters of Authorisation

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Overview

The LoA Risk Score assesses the revocation and non-delivery risk associated with carbon projects operating under a Letter of Authorisation (LoA), with a specific focus on credits eligible under the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Under CORSIA, airlines retire eligible carbon credits to compensate for their international aviation emissions. Where those credits carry a host-country Letter of Authorisation, the underlying risk is that the LoA could be revoked after retirement — or that the host country may never apply a corresponding adjustment in its Biennial Transparency Report (BTR) to the UNFCCC — leaving the emission reduction effectively claimed twice: once by the airline for compliance, and once by the host country toward its own Nationally Determined Contribution. The LoA Risk Score quantifies the probability of this outcome for each project by combining three components: the adequacy of the LoA document as a legal instrument, the regulatory maturity of the host country's carbon market framework, and the revocation risk profile of the project's registry. Each project is assigned a composite score and a letter grade from AA (lowest risk) to Below D (highest risk).

Data Inputs

Field / Parameter	Description	Source / Notes
LoA document fields	Nine binary indicators extracted from each project's Letter of Authorisation: whether the document is signed by an appropriate senior institution; whether it defines the point of first transfer; whether it states an authorisation start date; whether it states an authorisation end date; whether it states total authorised emission reductions; whether it details revocation processes; whether it states a maximum annual volume of authorised tonnes; and whether the host country has submitted initial and annual information reports to the UNFCCC.	AlliedOffsets Article 6 project database
Country Regulation Score	A pre-computed score reflecting the regulatory maturity of the host country's carbon market framework, scored on five binary criteria: whether the country has awarded an LoA; whether it has an enforced climate framework law; whether it has carbon market regulations; whether it has defined Article 6 trading regulations and a Designated National Authority; and whether it has submitted correspondingly adjusted credits to the UNFCCC. Each criterion is worth 10 points, giving a maximum country score of 50.	AO Political Risk Score — Country Regulation score reference sheet
Registry	The name of the carbon registry under which the project is certified. Used to assign the registry revocation risk score.	AlliedOffsets Article 6 project database

Field / Parameter	Description	Source / Notes
Correspondingly Adjusted flag	A confirmed indicator of whether the host country has submitted corresponding adjustments for the project's authorised emission reductions to the UNFCCC. Where confirmed, this overrides the component score calculation.	AlliedOffsets Article 6 project database, cross-referenced with UNFCCC CARP submissions

Logical Flow

1

Identify projects to score

All Article 6 LoA projects held in the AlliedOffsets database are pulled for scoring. The model rescores every project on each run; existing grades are overwritten rather than preserved.

2

Assign Country Regulation Score

Each project's host country is matched against the Country Regulation score reference sheet. The pre-computed score for that country is attached to the project. Any project whose host country does not appear in the reference sheet is flagged as missing a country score and excluded from final grading.

3

Compute LoA Document Score

Nine document-quality criteria are evaluated for each project against the AlliedOffsets Article 6 database. Each criterion met contributes 10 points to the project's LoA Document Score. The criteria assess the completeness and robustness of the LoA as a legal instrument governing the authorised mitigation outcomes.

4

Assign Registry Revocation Risk Score

A fixed score is assigned to each project based on its registry. Registries assessed as providing adequate CORSIA eligibility requirements and public revocation guidance receive 20 points; all other registries receive 0. The scoring reflects whether the registry's own rules and published guidance reduce the risk of non-delivery or revocation for buyers.

5

Sum component scores

The three components — LoA Document Score, Country Regulation Score, and Registry Revocation Risk Score — are added together to produce a total LoA Risk Score. A total is only computed where all three components are available; projects missing any component score are excluded from grading and flagged for review.

6

Assign letter grade

The total LoA Risk Score is mapped to a letter grade using fixed bands. Higher scores indicate lower risk.

7

Apply corresponding adjustment override

Any project confirmed as having received corresponding adjustments from the host country is assigned a fixed score of 130 and grade AA, regardless of its component scores. This reflects that UNFCCC submission of authorised emission reductions removes the primary double-counting risk the score is designed to measure.

Key Calculations

LoA Document Score

Nine binary criteria are assessed for each project, each worth 10 points, giving a maximum document score of 90. The criteria are: (1) the LoA is signed by an appropriate institution and senior signatory; (2) the LoA defines the point of first transfer; (3) the LoA states an authorisation start date; (4) the LoA states an authorisation end date; (5) the LoA states the total volume of authorised emission reductions; (6) the LoA details processes around revocation; (7) the LoA states a maximum annual volume of authorised tonnes; (8) the host country has submitted an initial Article 6 information report to the UNFCCC; and (9) the host country has submitted an annual Article 6 information report to the UNFCCC. Criteria (8) and (9) are particularly significant in the CORSIA context: UNFCCC Article 6 reporting experience, evidenced through initial and annual information reports, indicates that the host country has the institutional capacity and political willingness to apply corresponding adjustments in its Biennial Transparency Reports — the mechanism by which double-counting risk is formally eliminated. A host country with no reporting history provides less assurance that authorised credits will be properly accounted for in its national inventory. Criterion (1) is assumed to be met for all projects and contributes a fixed 10 points. Criteria (2) and (7) require manual confirmation and are maintained as reviewed lists rather than derived automatically from database fields.

Registry Revocation Risk Score

A fixed 20-point score is assigned to projects certified under Verra, Gold Standard Impact Registry, or Climate Action Reserve. All other registries — including the Architecture for REDD+ Transactions and the Clean Development Mechanism — receive a score of 0. The distinction reflects whether the registry publicly defines project developer requirements to mitigate non-delivery risk and provides accessible guidance on revocation procedures.

Country Regulation Score

Read directly from the Country Regulation score reference sheet. Scored on five binary criteria worth 10 points each: LoA awarded by the country (10 pts), enforced climate framework law (10 pts), carbon market regulations in force (10 pts), Article 6 trading regulations and a Designated National Authority defined (10 pts), and correspondingly adjusted credits submitted to the UNFCCC (10 pts). Maximum country score is 50.

Total LoA Risk Score

The arithmetic sum of the LoA Document Score (max 90), Country Regulation Score (max 50), and Registry Revocation Risk Score (max 20), giving an uncapped maximum of 130 before the corresponding adjustment override is applied.

Letter grade assignment

Total scores are mapped to grades as follows: 120 and above — AA; 110 to 119 — A; 100 to 109 — BB; 90 to 99 — B; 80 to 89 — C; 70 to 79 — D; below 70 — Below D. Projects receiving the corresponding adjustment override are assigned AA and a score of 130 regardless of their component totals.

Corresponding adjustment override

A project is eligible for the override where the host country has formally applied a corresponding adjustment to the project's authorised emission reductions in its Biennial Transparency Report (BTR) submitted to the UNFCCC. A BTR submission with corresponding adjustments applied is the definitive evidence that the host country has accounted for those emission reductions in its own national inventory and will not count them again toward its Nationally Determined Contribution. For CORSIA-eligible credits, this eliminates the double-counting risk the score is designed to measure: the airline has retired the credit for compliance, and the host country has formally relinquished its claim to the same reduction. Projects meeting this condition are assigned a

fixed score of 130 and grade AA, overriding all three component calculations. Where the UNFCCC BTR submission has occurred but the corresponding adjustment flag in the AlliedOffsets database has not yet been updated, the override will not be applied until the flag is corrected.

Assumptions

- Criterion (1) of the LoA Document Score — whether the LoA is signed by an appropriate institution and senior signatory — is assumed to be met for all projects, as no contrary evidence is recorded in the database. It contributes a fixed 10 points to every project's score.
- Two LoA Document Score criteria — whether the LoA defines first transfer (criterion 2), and whether it states a maximum annual authorised volume (criterion 7) — cannot be reliably derived from database field values alone. The projects confirmed to meet each criterion are maintained as manually reviewed lists within the model and must be updated each time a new project is added.
- Registry scores are hardcoded and are based on an assessment of each registry's published policies around CORSIA eligibility requirements and revocation guidance. Changes to registry rules are not reflected automatically and require a manual review of the scoring table.
- The Country Regulation Score is read from a maintained reference sheet and is not recomputed during the scoring run. Scores reflect the state of the sheet at the time of the run; if the sheet has not been updated recently, country scores may lag behind current regulatory developments.
- Projects confirmed as correspondingly adjusted receive a fixed total score of 130 and grade AA. This override reflects the judgement that host-party UNFCCC submission of authorised emission reductions removes the primary double-counting risk captured by the other components.
- All projects are rescored on every run. Previously assigned grades are overwritten in full.
- A project is only assigned a grade where all three component scores are available. Projects missing a country score or LoA document entry are excluded from grading and surfaced as exceptions for manual review.
- The model does not incorporate insurance products, project-specific non-delivery risk, or buyer-side due diligence. These factors are out of scope for this scoring iteration.

Limitations

- The LoA Document Score assesses the presence of key clauses and reporting indicators, not the legal enforceability or quality of those clauses. A project with a revocation clause of limited legal force scores the same as one with a robust, independently reviewed clause.
- Two of the nine LoA Document Score criteria require manual confirmation and do not update automatically when new projects are added or LoA documents are revised. This introduces a maintenance dependency that could result in stale scores if the manual lists are not kept current.
- The model does not distinguish between a project whose LoA has been revoked and one where revocation risk is elevated but no revocation has occurred. Both are assessed on the same criteria.
- Country Regulation Score reflects regulatory status at a point in time and may lag behind recent policy developments, particularly in fast-moving markets where legislation is enacted between reference sheet updates.
- Registry scores are binary (0 or 20) and do not capture differences in governance quality, track record, or operational robustness within the scored tier. A registry receiving 20 points is not assessed as equivalent in risk to every other registry in that tier.

- The model covers only projects operating under a formal Letter of Authorisation. Projects that have applied for authorisation but not yet received it, or projects authorised under bilateral government-to-government agreements with no project-level LoA, are outside scope.
- Corresponding adjustment confirmation relies on the Correspondingly Adjusted flag in the AlliedOffsets database. Where this flag has not been updated to reflect the latest UNFCCC CARP submissions, the override will not be applied.

Output

A scored dataset covering all Article 6 LoA projects, with each project assigned a total LoA Risk Score, a letter grade, and the three underlying component scores — LoA Document Score, Country Regulation Score, and Registry Revocation Risk Score. Results are written to the designated review tab of the AO Political Risk Score Google Sheet. The database is not updated directly during the scoring run; a separate step is required to push confirmed scores to the live database.