UK Carbon Code of Conduct
Financial Additionality

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UKCCC Financial Additionality Assessment

The project developer shall carry out an assessment of the financial additionality of the project. This assessment should follow the following methodology.

Methodology for Financial Additionality Assessment

1. **Identification of Alternatives**:
   1.1. Identify all plausible alternatives to the proposed project activity. These alternatives should be consistent with current laws and regulations.
2. **Investment Analysis**:
   2.1. **Determine Financial Viability**: Conduct a financial analysis to determine if the project is financially viable without the carbon credits. This involves calculating the Internal Rate of Return (IRR), Net Present Value (NPV), and other relevant financial metrics using the approved calculator supplied to Project developers
   2.2. **Compare Scenarios**: Compare the financial metrics of the project with and without the carbon credits. If the project is not financially attractive without the carbon credits, it may be considered financially additional.
3. **Barrier Analysis**:
   3.1. **Identify Barriers**: Identify any financial, technological, or institutional barriers that would prevent the project from being implemented without the carbon credits.
   3.2. **Assess Impact**: Assess the impact of these barriers on the project's feasibility. If the barriers are significant and the project would not proceed without the carbon credits, it may be considered financially additional.
4. **Common Practice Analysis**:
   4.1. **Evaluate Common Practices**: Evaluate whether the proposed project activity is common practice in the region or sector. If similar activities are not commonly implemented without carbon credits, the project may be considered financially additional.
5. **Sensitivity Analysis**:
   5.1. **Test Assumptions**: Conduct a sensitivity analysis to test the robustness of the financial analysis. This involves varying key assumptions (e.g., costs, revenues, discount rates) to see how they affect the project's financial viability.
   5.2. **Confirm Additionality**: Confirm that the project remains financially unattractive without the carbon credits under different scenarios.
6. **Documentation and Validation**:
   6.1. **Document Findings**: Document all findings, assumptions, and justifications used in the financial additionality assessment.
   6.2. **Third-Party Validation**: Have the assessment validated by a third-party auditor to ensure credibility and transparency.