

Call for proposals

Development of programmatic Mitigation Activity Design Documents under Art. 6 PA

Background

The Foundation *Future of the Carbon Market* (“The Foundation”) , set up by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and KfW Bankengruppe (KfW) in 2011, has an endowment capital of EUR 10 million (sourced under BMU’s International Climate Initiative). Its main objectives include the reduction of greenhouse gas emissions in developing countries through the targeted support of climate protection projects, in particular through the promotion and dissemination of programmatic carbon market approaches during an envisaged time frame of approximately 10 years.

The Foundation fulfils its objectives through the provision of upfront finance in return for certified carbon credits, as well as through targeted advisory services to increase public awareness on programmatic approaches and to strengthen the capacity of governments in developing countries in terms of integrating programmatic market-based approaches in national climate policy frameworks. For information on the Foundation’s activities over the past years, please visit its dedicated webpage (www.carbonmarket-foundation.org).

In order to promote **programmatic carbon market activities** under Art. 6.2 of the Paris Agreement (PA), to gather practical experience and to draw conclusions for relevant design features of Art. 6.4 PA, the Foundation has decided to launch a call for proposals to fund the development of **design documents for programmatic mitigation activities**. The aim of this initiative is to prepare market-based climate protection projects with high implementation prospects, spur international efforts in particular with regards to programmatic approaches, and inform the international community on how carbon markets can contribute to raise ambition of national contributions to climate targets under the Paris Agreement.

Objective of the call

The objective of the call is

- i) to identify suitable programmatic mitigation activities for further development through a dedicated template, the *Art. 6 Concept Note (see Enclosure 1)*, and
- ii) to provide funding for up to 5 selected proposals in different Implementing Countries to *develop detailed programme design documents (Art. 6. programmatic Mitigation Activity Design Documents – “Art. 6. p-MADD”)* under Art. 6.2. PA including a business plan for the design and implementation as well as to *facilitate effective communication with the respective Implementing Country institutions* on all Art. 6-related issues concerning the proposed activity.

It is important to state that the Foundation itself does not intend to carry out any purchases of mitigation outcomes under or as a follow-up to this call. However, it will liaise and cooperate with like-minded authorities and organisations concerning the results of the call with a view to facilitating potential carbon transactions.

Eligibility criteria

This section provides criteria concerning the eligibility of proponents, programmatic mitigation activities and regarding the involvement of the Implementing Country in the context of the submission of *Art. 6 Concept Notes*.

1. Eligible Proponents

Private and public entities with proven expertise and comprehensive know-how in topics related to climate change mitigation, carbon markets, the Sustainable Development Goals and related policy aspects can act as proponent under the call. Organisations with a solid track record in carbon asset development and management, including the preparation and implementation of climate mitigation activities in cooperation with competent partners in Implementing Countries eligible under this call and managing carbon certification processes are strongly preferred.

2. Eligible Programmatic Mitigation Activities

Programmatic mitigation activities (*p-MAs*) need to meet the following criteria:

- **Scope:** There are no restrictions in terms of type or sector of *p-MAs*, except that activities related to fossil fuel-based or nuclear power generation are not eligible. Activities related to *Nature-based solutions* for climate protection, including programmatic activities related to the restoration, conservation or management of ecosystems in the context of forests, agriculture or wetlands, fall within the scope of this call.
- **Implementing Country:** *p-MAs* can be implemented by any country that is a Non-Annex I party to the UNFCCC and a party to the Paris Agreement. In addition, Implementing Countries need to be eligible for Official Development Assistance (ODA). For the sake of simplicity, the *Art. 6 Concept Note* shall be limited to one Implementing Country, only.

The political situation in the Implementing Country, as well as the country's relevant policy and investment environment is conducive for swift preparation and implementation of the *p-MA* under *Art. 6* provisions.

The Implementing Country shall have a certain minimum degree of institutional and carbon market-related capacity to effectively engage in all relevant processes, incl. the principal readiness for transferring mitigation outcomes (ITMOs), conducting Corresponding Adjustments (CA) and meeting reporting requirements under the UNFCCC.

- **Programmatic approach:** p-MAs need to clearly follow a programmatic approach, building on concepts known from programmatic carbon methodologies of existing carbon standards (CDM, Gold Standard, Verra, etc.) and similar initiatives.

While regulatory details and actual methodologies that would be applicable under Art. 6.2 and Art. 6.4 have not yet been agreed, proposals must respond to design principles laid out in Article 6 PA and relevant provisions of the Paris Rulebook. They may also draw guidance from draft decisions texts on Art.6.2 and Art.6.4 developed during COP25 ¹.

- **Volume of mitigation outcome and generation period:** p-MAs generate a substantial volume of emission reductions or removals over a period from/after 2021 up to 2030. A minimum annual volume is not prescribed, but the demonstration of high quantities in mitigation outcome is considered a plus.
- **Co-benefits:** p-MAs generate substantial co-benefits that can be classified under the UN SDG framework and underline the sustainability of the p-MA. In case the Implementing Country SDG strategy covers the p-MA boundaries, consistency must be given.
- **Swift implementation, sustainability and potential for scaling-up:** p-MAs should show high prospects for swift physical implementation with clear plans regarding the required preparation on the ground in terms of relevant studies, permits, agreements, etc.

The proponent is able to estimate preliminary amounts financed through private and public sources, as well as their possible structure, building on a convincing business case that allows long-term economic sustainability of the p-MA.

Proposals must demonstrate that safeguards are in place – e.g. through applicable legal provisions in the Implementing Country – to avoid doing environmental or social harm. The involvement of multilateral institutions and international finance institutions (IFIs) that could strengthen and speed-up the implementation of the p-MA is considered an advantage.

The p-MA's design and implementation model allows scaling up across the Implementing Country and ideally across other countries of the region.

- **Policy alignment, NDC embedding and evidence on increased ambition:** p-MAs are overall aligned with relevant Implementing Country policies. Evidence can be brought forward that

¹ Draft decision texts on guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement, available at <https://unfccc.int/documents/204687> (third iteration, 15 December), <https://unfccc.int/documents/202115> (second iteration, 14 December) and <https://unfccc.int/documents/204639> (first iteration, 13 December); rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement, available at <https://unfccc.int/documents/204686> (third iteration, 15 December), <https://unfccc.int/documents/201918> (second iteration, 14 December) and <https://unfccc.int/documents/204644> (first iteration, 13 December).

p-MAs contribute to raising ambition as compared to the Implementing Country's NDC and are additional to targets set in the unconditional part of the NDC.

- **Methodological aspects:** p-MAs shall be based on thorough methodologies with regards to the underlying baseline, the reference scenario (taking into account the conditional part of the NDC and all relevant policies and technological development), the quantification of emission reductions (or removals) and the demonstration of additionality. Applied methodologies do not necessarily need to be approved under an existing carbon standard (CDM, Gold Standard, Verra, etc.); however, this is considered a plus.

Explicitly, emission reductions or removals cannot be issued or calculated at this stage against the “business as usual” baseline. It is evident that the transition of methodologies to the Paris Agreement could neither be completely anticipated nor formally registered, but proposals could inform the UNFCCC process and might be adapted to formal decisions later.

Emission reductions or removals achieved through the p-MAs must fulfil TACCC principles (*transparency, accuracy, completeness, comparability, consistency*); full transferability and accounting for *corresponding adjustments* shall in principle be ensured by the Implementing Country.

- **Existing projects:** For the sake of clarity, p-MAs that are already registered under existing carbon certification schemes (CDM, Gold Standard, Verra, etc.) or that are an extension to such activities will only be considered if registration occurred *from 4 November 2016 onwards*². All other requirements under this call need to be taken into account for such activities, as well.

3. Involvement of the Implementing Country

Strong engagement of relevant Implementing Country institutions by the proponent is an essential general prerequisite for the development of Art. 6 p-MAs.

The Foundation seeks to ensure that the elaboration of the proposed p-MA is completely aligned with the intention of the Implementing Party to eventually use cooperative approaches under Article 6.2 of the Paris Agreement. The Foundation highlights that any proposal submitted under this call needs to fully respect the sovereign decisions of the Implementing Party regarding Article 6.3 and Article 6.5 PA.

For this purpose, the Implementing Party needs clarity on both the achievement of its NDC without the emission reductions or removals accounted for the p-MA and the suitability of the activity regarding economic, social, climate and environmental benefits.

When submitting the *Art. 6 Concept Note*, the proponent shall outline how and to which extent relevant governmental institutions of the Implementing Country have been involved in the development of the p-MA so far.

² i.e. from the date of entry-into-force of the Paris Agreement onwards

Together with the *Art. 6 Concept Note* a statement by the relevant Implementing Country Authority to engage in the mitigation activity can be submitted. While this is not a must, it will be considered an advantage. This statement shall mention the readiness – *in the event of investing* –

- to meet relevant UNFCCC reporting requirements,
- to transfer ITMOs and conduct Corresponding Adjustments and
- to hedge overselling risks.

Alternatively, other relevant documents providing evidence on the above can be submitted.

Expected results and available funding

Proponents of selected Art 6. Concept Notes can draw on funding under this call to (i) deliver Art 6. programmatic Mitigation Activity Design Documents and to (ii) foster communication and institutional processes within the Implementing Country to achieve a desired level of involvement. All funding is subject to the execution of a funding agreement, which remains at the discretion of the Foundation (see further below).

i) Elaboration of Art. 6. programmatic Mitigation Activity Design Documents (Art 6. p-MADD).

The *Art 6. p-MADD* shall contain at least the following information both at the programme and the activity level, taking into account COP 25 draft negotiation texts and the Implementing Country's NDC:

- detailed description, boundaries and technologies
- the managing system
- demonstration of additionality
- SDG co-benefits
- start date and duration
- analysis of environmental and social impact
- (minimum) stakeholder consultations
- methodology to derive baseline and emission reductions or removals (updated to the PA requirements)
- evidence on how the p-MA raises mitigation ambition of the Implementing Country as compared to the NDC.
- detailed business and financing plans.

Further information on the contents of the *Art. 6 p-MADD* will be made available to proponents through specific Terms of Reference (ToRs) in due course upon selection of their respective *Art. 6 Concept Note*.

The proponent shall submit a draft version of the *Art. 6 p-MADD*, as well as a final version taking into account the recommendations from an assessment by a competent and independent service provider. Eligible service provider shall include so-called *Designated Operational Entities (DOEs)* accredited under the UNFCCC for the respective scope (project type). The service provider will assess the draft *Art. 6 P-MADD* against the specific ToRs and technical requirements and will recommend corrective

actions. The Foundation will contract the service provider, arrange the assessment and bear the respective costs.

Up to **EUR 100,000** will be funded for this purpose subject to a financial proposal by the selected proponent in response to the specific ToRs.

ii) **Fostering communication and processes within the Implementing Country to achieve a desired level of involvement**

Selected proponents will be able to draw on additional funding under the call to enhance required communication with and between Implementing Country entities, e.g. through conducting dedicated workshops and supporting required institutional processes, to work *towards achieving the following two key outcomes* in terms of desired level of country involvement:

- the drafting of a legally binding document mentioning the readiness – *in the case of investment* – to (i) meet UNFCCC reporting requirements especially regarding the Initial Report and the Bi-annual Transparency Report, (ii) transfer ITMOs and (iii) conduct Corresponding Adjustments, as well as,
- the set-up of an operationalized procedure to avoid and to hedge overselling, which should be harmonized with the Implementing Party under Article 6.2.

These outcomes shall help to attract investors and ITMO purchasers, respectively. Related processes shall be conducted in close coordination with and involvement of the Foundation and in accordance with the requirements in the specific ToRs.

Up to a total of **EUR 50,000** will be funded for this purpose for a set of pre-defined activities including travel arrangements, workshop organization, set-up of dedicated country processes, etc subject to the financial proposal by the selected proponent responding to the specific ToRs.

As alternative to providing direct funding for communication processes to the proponent and if deemed more effective, the Foundation might decide to contract an external consultant to assist in conducting some or all of these tasks in support of the proposed *Art. 6 p-MA*. In this case, the Foundation will closely accompany the related processes and will manage the consultant and contractual arrangements as required.

Application process and deadlines for submission of documents

The call will be conducted in one stage comprising two steps:

- **Step 1:** Submission of *Art. 6 Concept Notes* (incl. optional *Implementing Country Statement*)

Proponents need to submit a signed and scanned version of the *Art 6. Concept Note (using the template provided in Enclosure 1)* by **31.12.2020** in *English* through uploading the documents in pdf format onto a platform mentioned at the Foundation's website (www.carbonmarket-foundation.org). Submissions by email will not be accepted.

The submissions will be evaluated by external evaluators, who will issue a recommendation to the Foundation regarding the selection of a maximum of 5 *Art. 6 Concept Notes*. Final decisions on selected *Art. 6 Concept Notes* will be communicated to proponents by **15 February 2021**.

- **Step 2:** Elaboration of the *Art 6. p-MADD* and accompanying implementing-country processes

Based on individual contracts between the Foundation and the selected proponents, the proponents are expected to submit the draft *Art. 6. P-MADD* by **30 September 2021**.

The final design documents, taking into account recommendations from the assessment by the independent service provider shall be submitted by **30 November 2021**.

The accompanying communication processes with the Implementing Country shall be conducted in parallel as required to work towards achieving the two key outcomes mentioned in the above section by **30 November 2021**.

The Foundation may extend the deadlines under Step 2 of the call at its own discretion and in coordination with selected proponents.

Legal disclaimer

For evaluation and selection of submitted *Art. 6 Concept Notes*, the Foundation will draw on the above-mentioned criteria. Final selection of concept notes and awarding of funds for the development of *Art. 6 p-MADDs* are at the Foundation's own discretion.

Costs incurred by proponents as part of preparing their proposals and/or the proposal process are not reimbursable. All such costs will be borne by the proponents. Neither the call nor the selection results are in any way binding on the Foundation. The Foundation's financial and other obligations commence only upon signature of a contract with the successful proponent(s) following final selection of a proposal. Funding under such contract will be restricted to the preparation of the p-MADD, not the implementation of the p-MA or its financing proper. Proponents must not engage in realizing any tasks or activities related to the p-MADD prior to contract execution.

Furthermore, prior to contract execution, the Foundation may cancel the call without the proponents being entitled to claim any compensation. In the event the call is cancelled, all proponents from whom the Foundation has received a proposal will be notified by the Foundation by electronic mail.

Contact

For all questions, please contact Kommunalkredit Public Consulting GmbH as the manager of the Foundation *Future of the Carbon Market*:

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Enclosure 1: [Art. 6 Concept Note Template](#)