

# Call for Proposals (CfP)

## Cover Letter

### Call for Proposals to Supply ITMOs

Dear Madam / Sir:

The Foundation for Climate Protection and Carbon Offset (“KliK”) is the sector-wide carbon offset grouping for fossil motor fuels, established within the framework of the Swiss CO<sub>2</sub> Law. The Swiss CO<sub>2</sub> Law requires mineral oil companies responsible for releasing fossil motor fuels for consumption to offset part of the CO<sub>2</sub> emissions resulting from the use of these motor fuels. The KliK Foundation fulfils this legal obligation on their behalf. To this end, it supports projects that are eligible according to national and multilateral rules. From 2021 the obligation will be extended to international offsets as stipulated by Article 6 of the Paris Agreement.

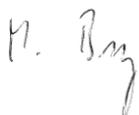
The KliK foundation aims to procure eligible emission reductions in the form of internationally transferred mitigation outcomes (“ITMO”) through a competitive process that leads over several formalised stages to a forward Mitigation Outcome Purchase Agreement (“MOPA”). The current draft of the Swiss CO<sub>2</sub> law implies a total amount of 54 Mt of CO<sub>2</sub>e in compliance requirement for the KliK foundation.

The procurement process develops over several stages. In this “Open Opportunities” Call for Proposals, the KliK foundation pre-selects proposals submitted as Mitigation Activity Idea Notes (“MAIN”) to be further developed conceptually in a Mitigation Activity Description Document (“MADD”). Pre-selected activities will be awarded with a Letter of Support (“LoS”) and the subsequent preparation of the MADD will be financially supported by the KliK foundation. The preparation of the MADD will involve close consultation with the involved countries. The Mitigation Outcome Purchase Agreement (“MOPA”) is conditional to a binding bilateral agreement between the governments of the countries that governs the transaction and due execution of mutually agreed modalities.

Your organisation has been identified as a potential supplier of ITMOs. The KliK foundation invites you to prepare and submit your proposals in accordance with the attached annexes (Terms of Reference and Instructions for Suppliers). Questions or comments regarding the CfP shall be sent to the KliK foundation prior to submitting the proposal, latest by 9 April 2019.

We would be delighted to receive a proposal from your organisation.

Best regards,



Dr Marco Berg  
Managing Director

## **Annex 1: Terms of Reference**

### **Subject & Overview**

The KliK foundation aims to procure with this CfP a yet undetermined amount of ITMOs from 2021 through 2030. The KliK foundation conducts a staged procurement process, over which the specific requirements of transactions under Article 6 of the Paris Agreement shall be established. The contracting of a Mitigation Outcome Purchase Agreement (“MOPA”) is conditional to the successful conclusion of the procurement process, and involves the mutual agreement between the transferring country and Switzerland and the conclusion of a respective binding agreement between the states and the authorisation of the activity under the bilateral agreement.

In this CfP the KliK foundation aims to pre-select three to five proposals and award those with a Letter of Support (“LoS”). With the LoS the KliK foundation will affirm its interest in eventually purchasing ITMOs from the activity, and offer to financially support the preparation of a Mitigation Activity Description Document (“MADD”).

The KliK foundation will pre-select proposals which match best with the selection criteria set out in Annex 3. Proposals that are not pre-selected will be given guidance for revision and the opportunity for resubmission at a subsequent CfP.

### **Terms of eventual Purchase**

<u>Buyer:</u>	Foundation for Climate Protection and Carbon Offset KliK, Freiestrasse 167; 8032 Zurich; Switzerland.
<u>Seller:</u>	Counterparty to the intended MOPA, to be determined in MADD.
<u>Product:</u>	ITMOs eligible under the revised Swiss CO <sub>2</sub> Act and in accordance with the Paris Agreement and authorised under a bilateral agreement between the transferring country and Switzerland.
<u>Vintages:</u>	Mitigation Outcomes generated in the years 2021 through 2030.
<u>Transaction types:</u>	Forward deliveries.
<u>Payment:</u>	Payment on delivery.
<u>Upfront payment:</u>	Support for the preparation of MADD. No provision for technical assistance grants, or material upfront contributions to funding structures.
<u>Legal documents:</u>	MOPA, modalities will be determined at a later stage.
<u>Bid size:</u>	KliK is looking for lots between 0.5 and 2.5 M ITMOs overall.

Eligible Activities:

This CfP makes no limitations regarding the country and technology, except the following:

- No REDD+ or LULUCF (biological sequestration)
- No activities that include more than one country
- No activities that involve nuclear power and fossil fuel power plants

CDM

Irrespective of a registration under the CDM, mitigation activities must respect the requirements of environmental integrity.

Conditions and delivery:

Swiss national emissions trading registry. In the absence of the possibility for transferring ITMOs into registries alternative point of deliveries have to be determined with the counterparty in the MOPA.

Right of refusal:

KliK may exclude proposals from pre-selection at its own discretion. The rationale for exclusion may not be communicated to the applicants.

Disclaimer

The pre-selection of a proposal does not prejudice neither the conclusion of a bilateral agreement nor a MOPA, and it does not imply any rights for the applicant to sell ITMOs to KliK.

## **Annex 2: Instructions for Applicants**

### **Structure of Proposals**

Proposals are prepared in english or german and submitted by using the online account administration accessible under <http://international.klik.ch/login/>. Other formats will not be considered by the KliK foundation.

The proposals shall be accompanied by a Letter of Intent according to the specifications in Annex 4. The respective Letter of Intent is subject to the criteria for pre-selection as set out in Annex 3.

### **Deadline and Form of Submission**

Offers must be submitted by the applicant electronically through the online administration by 12 May 2019 at 23:59 h CEST. The status of the proposal will indicate its submission.

Applicants will be notified about the result of the proposal's evaluation by 14 June 2019.

### **Designation of a contributor**

The applicant may designate contributors in the online administration. Contributors can create, edit and finalise the proposals that are attributed to them. Final proposals must be submitted by the applicant itself, contributors cannot submit.

### **Questions and communication**

Questions regarding the CfP can be submitted until 9. April 2019 by email to [mischa.classen@klik.ch](mailto:mischa.classen@klik.ch). The tender documentation will be updated and made available to all applicants to address the questions raised.

### **General Conditions**

The KliK foundation will not reimburse any expenses in relation to the submission. Confidentiality will be guaranteed.

### **Further Information**

Details on the KliK foundation are available under <http://international.klik.ch>

Contact: Mischa Classen

Tel. +41 (0)44 224 60 05

[mischa.classen@klik.ch](mailto:mischa.classen@klik.ch)

## Annex :3

### Criteria for pre-selection

<b>1. ELIGIBILITY OF PROJECT TYPE</b>	yes / no
<b>Type of criterion:</b> No-go	
<b>Data source:</b> MAIN	
<b>Scope of assessment:</b> Activity does not imply nuclear energy, and does not result in a lock-in of fossil fuels	
<b>Comment:</b> If the result is “no”, the activity cannot be approved.	
<b>2. AVAILABILITY OF LETTER OF INTENT</b>	yes / no
<b>Type of criterion:</b> No-go	
<b>Data source:</b> Lol	
<b>Scope of assessment:</b> Transferring country has issued a letter documenting the interest in ITMO transactions, in particular the specific activity given, under Art. 6 of the Paris Agreement, and the willingness to apply corresponding adjustments.	
<b>Comment:</b> If the result is “no”, the activity cannot be approved. The evaluation may establish a positive pre-selection conditional to the availability of the Lol at a later stage.	
<b>3. COVERAGE IN NDC</b>	yes / no
<b>Type of criterion:</b> No-go	
<b>Data source:</b> MAIN	
<b>Scope of assessment:</b> Activity is in a sector covered by the NDC	
<b>Comment:</b> If the result is “no”, the activity cannot be approved. The Paris Agreement rulebook still under development might allow Art. 6 activities outside of the scope of the NDC without requesting a corresponding adjustment. This is considered an undesirable outcome, so to avoid a possible conflict with the rulebook, only activities within the scope of the NDC are eligible.	
<b>4. ENVIRONMENTAL INTEGRITY</b>	High / medium / low
<b>Type of criterion:</b> No-go	
<b>Data source:</b> MAIN	
<b>Scope of assessment:</b> Emission reductions are real (calculation with credible reference levels, avoidance of leakage, inaccuracies from fraud or error are addressed), additional to the NDC and to the BAU emissions scenario, permanent (by ensuring irreversibility, or by formulating measures compensating for possible reversals)	
<b>Comment:</b> If the result is “low”, the activity cannot be approved.	

<b>5. RISK OF DOUBLE CLAIMING</b>	High / medium / low
<b>Type of criterion:</b> No-go	
<b>Data source:</b> MAIN	
<b>Scope of assessment:</b> Risk of double claiming the mitigation outcomes attributed to carbon finance (KliK payments) and possible sources of climate finance supporting the activity	
<b>Comment:</b> If the result is “high”, the activity cannot be approved.	

<b>6. PROMOTION OF SUSTAINABLE DEVELOPMENT</b>	High / medium / low
<b>Type of criterion:</b> Preference	
<b>Data source:</b> MAIN	
<b>Scope of assessment:</b> Contribution to SDGs, notably fostering the low carbon development of the transferring country	
<b>Comment:</b> –	

<b>7. RISK OF VIOLATION OF HUMAN RIGHTS</b>	High / medium / low
<b>Type of criterion:</b> No-go	
<b>Data source:</b> MAIN	
<b>Scope of assessment:</b> Risk that operating the activity entails violations of international human rights treaties which cannot be adequately mitigated.	
<b>Comment:</b> If the result is “high”, the activity cannot be approved.	

<b>8. RISK OF CORRUPTION OR BAD GOVERNANCE</b>	High / medium / low
<b>Type of criterion:</b> No-go	
<b>Data source:</b> MAIN	
<b>Scope of assessment:</b> Risk that operating the activity involves corruption which cannot be adequately mitigated.	
<b>Comment:</b> If the result is “high”, the activity cannot be approved.	

<b>9. PLAUSIBILITY OF BUSINESS CASE</b>	High / medium / low
<b>Type of criterion:</b> No-go	
<b>Data source:</b> MAIN	
<b>Scope of assessment:</b> Plausibility of business case, e.g.: activity is situated in a dynamic market environment with solid prospect of selling the underlying assets (electricity, appliances, goods produced); proposed business is open to including a variety of distribution and/or implementation partners; activity shows potential for replicability and/or scalability that underpins the business case; activity has already been successfully tested in the field; financial close is in reach, or can be assumed to be reached within a reasonable time period.	
<b>Comment:</b> If the result is “low”, the activity cannot be approved.	

<b>10. COMPLIANCE WITH FINANCIAL MODALITIES</b>	High / medium / low
<b>Type of criterion:</b> No-go	
<b>Data source:</b> MAIN	
<b>Scope of assessment:</b> RBF required within target corridor, if available; business model compatible with RBF; no expected KliK upfront payments, or only an insignificant share of required RBF, if not specified otherwise in tender documentation.	
<b>Comment:</b> If the result is “low”, the activity cannot be approved.	

<b>11. CONVINCING ROLE OF CARBON</b>	High / medium / low
<b>Type of criterion:</b> No-go	
<b>Data source:</b> MAIN	
<b>Scope of assessment:</b> Contribution of RBF payments by KliK to the implementation and sustained operation of the activity (e.g. cash flow)	
<b>Comment:</b> If the result is “low”, the activity cannot be approved.	

<b>12. SELF-SUSTAINABILITY</b>	High / medium / low
<b>Type of criterion:</b> Preference	
<b>Data source:</b> MAIN	
<b>Scope of assessment:</b> Probability that the activity will extend beyond the KliK support (by regulatory means, by transferring country government support, due to improved economic viability, due to a scaling-up of the activity)	
<b>Comment:</b> –	

<b>13. LIMITED AND PREDICTABLE PROJECT RISKS</b>	High / medium / low
<b>Type of criterion:</b> Preference	
<b>Data source:</b> MAIN	
<b>Scope of assessment:</b> Stability of political system, soundness of legal system, good governance practice, business friendliness Activity is not impeded by prevailing or future policies (e.g. fossil fuel subsidies in the case the reference is the continued use of fossil fuels; absence of conflicts of objective between the activity and national priorities in the given sector).	
<b>Comment:</b> –	

<b>14. SUITABILITY OF COUNTERPARTY</b>	High / medium / low
<b>Type of criterion:</b> No-go	
<b>Data source:</b> Due Diligence check, publicly available information	
<b>Scope of assessment:</b> Track record, standing/reputation of project proponent and implementation partner(s); capability of project proponent to implement, and operate, the activity, and to manage the funding and disburse it to eventual beneficiaries; pending lawsuits against project proponent.	
<b>Comment:</b> If the result is “low”, the activity cannot be approved.	

## **Annex 4: Letter of Intent**

Mitigation Activity Information Notes (“MAIN”) shall be accompanied by a Letter of Intent (“LoI”) issued by the ministry in charge of the coordination and oversight of the implementation of the transferring country’s NDC, or by the designated national authority competent under Article 6 of the Paris Agreement, if available.

In the LoI, the issuer affirms the intention to endorse the activity and expresses the willingness of the country to enter into bilateral talks with the Swiss government to establish a binding agreement governing a possible transaction of ITMOs generated by the proposed mitigation activity.

The LoI shall contain the following information:

<u>Recipient</u>	Foundation for Climate Protection and Carbon Offset KLIK, Mischa Classen, Freiestrasse 167, 8032 Zürich, Switzerland
<u>Issuer</u>	Designation of the ministry or government entity in the lead for the coordination and oversight of the implementation of the NDC.
<u>Activity</u>	Name of the mitigation activity to which the LoI refers to, using the same designation as in the proposal as to allow for an unambiguous reference.
<u>Endorsement</u>	The issuer states that it endorses the implementation of the related mitigation activity, and confirms that it is aligned with the domestic strategy to implement the NDC.
<u>Corresponding Adjustments</u>	The issuer expresses the willingness of the government to apply corresponding adjustments to its inventory emissions when reporting on the achievement of its NDC for all transferred ITMOs, as stipulated in the Paris Agreement and in accordance with any future decisions.
<u>Bilateral Agreement</u>	The issuer expresses the willingness to establish a binding bilateral agreement with Switzerland that frames the mutual interest in engaging in a cooperative approach under Article 6 of the Paris Agreement and governs the modalities of the transaction of ITMOs.