



REQUEST FOR NATURAL CLIMATE SOLUTIONS PROJECTS/CONCEPTS: TO BE SUPPORTED BY MARKET INNOVATIONS

1. INTRODUCTION

Conservation International Foundation (“CI”) is a leading environmental organization headquartered in Arlington, Virginia in the United States. Since 2011, CI has engaged with BHP (“BHP”), a leading resources company, in a Global Alliance (the “Alliance”) to aid BHP in its work to contribute to extending conservation areas, reducing the rate of global biodiversity loss, and addressing climate change through natural climate solutions. BHP is among the world’s top producers of major commodities, including iron ore, metallurgical coal and copper, has substantial interests in oil, gas and energy coal and operates under a Dual Listed Company structure¹, with global headquarters in Melbourne, Australia. Pollination, a climate change advisory and investment firm that seeks to accelerate the transition to a net zero, climate resilient future, also provides technical expertise to BHP to support some aspects of the objectives under the Alliance. Together CI, BHP and key personnel who now work with Pollination² established the Finance for Forests initiative to harness private sector finance to contribute to the conservation of the world’s forests.

Given the material role of the world’s forests, coastal wetlands and other high-carbon ecosystems as global carbon ‘sinks’, BHP is seeking to play a role in supporting natural climate solutions³ (“NCS”). This is enabled by a strategy focused on three main components (each a “Pillar” and collectively, the “Pillars”):

- I. **Project support:** Invest in NCS demonstration projects that seek to reduce emissions from deforestation while improving biodiversity conservation and community livelihoods (one example of this is through the use of the REDD+ mechanism);
- II. **Governance:** Advance subnational/national level governance/legal/policy frameworks for NCS mechanisms; and
- III. **Market stimulation:** Stimulate and support the market for carbon offsets and credits generated from NCS and advance models for private sector financing of NCS projects.

To stimulate the global market for NCS carbon offsets (and advance Pillar III), in 2016 the International Finance Corporation (“IFC”) issued a first of its kind \$152 million Forests Bond, which offers a choice between a cash coupon or interest payment in the form of Verified Carbon Units (“VCUs”) from the Kasigau Corridor REDD Project in Kenya, and investors may use these VCUs or sell them into the market. BHP played a crucial role in providing the price support mechanism, meaning if investors preferred a cash coupon payment they could then elect to draw on the BHP price support mechanism instead of receiving VCUs. Any price support not utilized by investors was used to purchase additional VCUs from the project,

¹ BHP’s Dual Listed Company structure has two parent companies, one an Australian-listed company and one a UK listed company) operating as a single economic entity.

² CI and BHP established the Finance for Forests initiative with law firm Baker McKenzie. Key Baker McKenzie personnel who worked on the initiative now work in the Pollination Group and continue Baker McKenzie’s role.

³ Natural Climate Solutions encompass conservation, restoration and improved land management actions that increase carbon storage and/or avoid greenhouse gas emissions from deforestation of high carbon ecosystems across the globe.

thereby providing even more forest finance to the project. BHP provided the price support to ensure that the investors risk exposure to VCU is removed.

Following the success of the Forests Bond, the Finance for Forests Initiative was launched and sought to profile BHP's investments in REDD+ as a model for other private sector actors to replicate.

Through the Finance for Forests Initiative, and building on the success of the Forests Bond, BHP now wishes to support the development of another innovative financing mechanism (e.g. bond or Article 6 pilot) to support a portfolio of NCS projects. CI and Pollination will support BHP in developing this financing mechanism. Therefore, this group would like to invite all organizations with projects or potential projects that meet the criteria set out in this Request for NCS Projects or Concepts document ("RFP") to submit an application for consideration for funding via the innovative financing mechanism.

2. SCOPE OF CALL FOR PROPOSALS

This is a targeted call for proposals to identify high quality **NCS projects** that currently exist or are in development and could (i) be supported by the to-be-developed innovative financing mechanism to further Pillar III of the NCS strategy (described above) to catalyze momentum and investment in NCS markets; and (ii) benefit from BHP support.

Such projects should fall into at least one of the following categories:

- **Avoided Deforestation:** land-based avoided deforestation ("REDD+") or avoided deforestation of coastal ecosystems ("Blue Carbon"), including improved management.
- **Restoration of Natural Carbon Sequestration:** restoration and/or reforestation of ecosystems through a variety of approaches, including improved management.

Any proposals to be advanced for further consideration will be subject to a multi-stage selection process; this RFP constitutes the first stage and any projects of interest to BHP (supported by CI and Pollination) will be contacted for additional information.

3. PROJECT SELECTION CRITERIA

To be eligible for consideration, projects must ensure that they meet the threshold criteria outlined below.

3.1 Threshold Criteria

- **Project Size:** Project should have the ability to make material impact on the target ecosystem.
- **Standards and Methodologies:** Projects should be intending to be or have been validated and verified under the Verified Carbon Standard ("VCS") and the Climate Community and Biodiversity Standard ("CCBS").
- **NCS Credits:** Projects must currently produce or have a clear pathway to producing carbon credits that are:
 - able to be utilized for the purpose of offsetting emissions;
 - approved for transfer by the relevant host government;
 - issued to a standard that is audited by a third party in accordance with ISO requirements;
 - not issued on an ex-ante basis;

- otherwise consistent with the Paris Agreement.
- **Legal Ownership:** Project proponents must have a clear legal right to develop the project and create and sell (including for transfer outside the country) any verified emission reductions (“VERs”) from the project or have a clear and viable plan to obtain this right in projects under development. Where such rights do not exist, projects must have other arrangements in place that would be satisfactory to BHP.
- **Project delivery timeframe:** Project must be capable of generating carbon credits (meeting the criteria above) by no later than January 1, 2023.
- **Project Communications:** Project proponent and partners must be comfortable with having BHP as a major sponsor to the project and having this role be acknowledged in communication materials.
- **Compliance:** If selected, project proponent and partners must agree to comply with BHP’s Code of Conduct (<https://www.bhp.com/our-approach/our-company/our-code-of-conduct/>)

3.2 Preferred Criteria

Projects are not required to meet the following criteria, but those that do will be viewed more favorably:

- Project has achieved or intends to achieve one or more of CCBS “Gold Levels” for climate, communities and/or biodiversity or equivalent certification.
- Over a five-year time frame, project should have the ability to generate at least 2 million tons.

3.3 Evaluation Criteria

The following five principles represent the criteria against which successful projects and concepts will ultimately be evaluated. We encourage project proponents to provide information that relates to these criteria in their application.

- **Comprehensive:** reduce emissions by avoiding deforestation or restore natural carbon sequestration while improving biodiversity conservation and community livelihoods;
- **Significant:** ensure projects contribute in a substantial way to demonstrating the viability of the REDD+ mechanism and/or other NCS - capable of producing carbon credits (under the VCS and CCBS or some national REDD+ framework or other recognized NCS frameworks);
- **Simple:** enable a clear exit strategy for BHP and mitigate significant long-term risks to BHP, but ensure that the project benefits endure;
- **Enduring:** are self-sustaining, resilient to change, have broad-based community support, utilize effective tenure mechanisms and are professionally managed by competent organisations.

Supported: are backed by governments receptive to the development of effective governance frameworks for REDD+ and/or other NCS.

3.4 Project Details Required

Project proponents should complete the attached template and provide responses across the following categories:

A. Project Details

- Project Type: Potential projects should fall under the AFOLU (agriculture, forestry, and other land use) project category, focused on avoided deforestation or restoration.
- Project Status: Indicate whether the project is conceptual, in development, has limited implementation and progress toward validation, achieved project validation and implementation, achieved project verification and implementation, or achieved multiple verifications and on-going implementation (for this, indicate number of years active). Also indicate actual or expected first year for generation of carbon credits.
- Location: Projects from any country are welcome. An exact description of the project's location should be provided. This section should also address any relevant information arising from its location within a particular state, province, region (or similar) of a country that may particularly affect the project e.g. the levels of government and regulatory frameworks applicable to the project; the security profile and/or socio-economic conditions in the area, if significantly different from the country as a whole.
- Project Volume: Projects should indicate the actual or estimated volume of carbon credits that will be generated by the project. If the project involves restoration of carbon, please provide an estimate to how the volume might change year to year.
- Biodiversity and Ecological Value: Projects must demonstrate or intend to demonstrate net-positive benefits for biodiversity in/or around the project site. This section should describe any key biodiversity/habitat features of the area and ecological functions of the area (e.g. adaptation co-benefits, watershed protection, etc.). Please identify if the area is designated as a Key Biodiversity Area, home to IUCN Red List species, in or adjacent to a National Protected Area, etc.
- Community Value: Projects must demonstrate or intend to demonstrate net-positive benefits for local communities in/or around the project site. Please outline key community stakeholders and the expected community development benefits of the intervention. Also briefly outline approach to sharing benefits derived from the revenues received from the sale of carbon credits.
- Government or Government Official involvement: Identify any known involvement by government or government officials in the ownership of the project (e.g. land ownership/tenure rights; ownership or control of project entities) or expected participation (directly or indirectly) in benefits arising from the project (e.g. from ownership or control of entities that will provide goods or services for project implementation). More detailed information and review may be required for any project proposals advanced for further consideration

B. Project Proponent

- Delivery Capacity/ Involved organizations: A capable and competent team will be critical for success. Project proponents should outline their capacity to deliver and include information on the project managers/implementing organization and any other partners that would be involved in the implementation for the project. This should include a high-level description of each participating organization's governance structures. Further information

about governance and operating standards may be requested of any project proposals advanced for further consideration.

C. Policy Context

- Project proponents should include information on the extent to which the project is aligned with or plans to align with emerging national or regional approaches to NCS, including alignment with, as applicable, Nationally Determined Contributions, national REDD+ strategy, national forest reference emissions level, MRV arrangements, nesting frameworks, jurisdictional approaches, national registry, existing or emerging compliance schemes, etc.

D. Financial Information

- Budget Request: The proposal should include an indicative budget that outlines the estimated funding requested from the financing mechanism over a five-year period. Note this amount should take into account and specify the number of carbon credits that would be made available to be transferred to BHP or another entity specified by BHP through the financial mechanism.
- Project Sustainability: Describe the current and projected sources of revenue (from carbon and non-carbon sources) for the project. Also outline the existing or proposed sustainable financing strategy for the project (if one exists), such as use of an endowment fund, business plan, carbon sales, link to Forest Carbon Partnership Facility etc.).

E. Risk Analysis

The following project implementation risks that might affect the long-term project outcomes should be identified, along with their severity and a brief description of existing or potential mitigation strategies. Conceptual or in development projects should do their best to provide responses to how the following risks could be managed.

- *Tenure*: Whether ownership/tenure arrangements (or their absence) over land and resources may impede long term conservation success.
- *Legal Approvals and Regulatory Risks*: Whether any required legal or regulatory approvals (at the national and sub-national level, as applicable) for the project proponent, the project and the project's planned activities have been obtained. Does the Government permit or restrict the international sale of carbon credits?
- *Risk of Reversal*: What approach has been adopted to prevent a risk or reversal and what challenges exist to ensure permanence.
- *Stakeholder Interests or Conflicts*: If there are different/competing stakeholder interests or historical, existing or anticipated conflicts over the land and resources in question.
- *Human Rights Risks*: Considering diversity of stakeholders and interests, including of vulnerable and marginalized groups, women and indigenous peoples, projects should flag any potential human rights issues, including consultation and consent, and measures to ensure their participation and respect for their rights.
- *Alternate Uses of the Area*: The likelihood of extraction, production or other activities now or in the future that may affect the long-term viability of conservation objectives.
- *Management Capacity*: Do management entities and/or implementing partners, including government agencies, have the organizational and technical capacity to implement and ensure the success of project activities?

- *Financing*: The amount and stability/security of funding flows that are required for managing the project area, now and in perpetuity.
- *Reputational Risk for Partners*: Identify any implementation and reputational risks for project partners (e.g. implementing organization(s); government agencies; funder) and the approaches to managing these.

A formal risk assessment may be required for any proposals to be advanced for further consideration. Should a proposed project be selected by BHP, a comprehensive risk analysis and risk mitigation strategy would need to be developed.

4. SUBMISSIONS

Project proponents should complete the attached template, providing the information as requested above. The final document should be no longer than 5 pages in length, not including any supplemental material the project proponent wishes to include.

All information provided to CI, Pollination and BHP in response to this RFP will be kept strictly confidential and not provided to any third parties without prior written consent from the project proponent⁴. Neither BHP, Pollination nor CI is under any obligation to accept or progress consideration of any proposal put forward and makes no representation that it will enter into any legal relationship with any party that puts forward a response to this RFP.

We kindly request that you submit your proposal by close of business on **Friday, April 17, 2020 at 5PM EDT**.

Please address your response by e-mail correspondence to CI's Carbon Finance email (conservation-finance@conservation.org). We look forward to receiving your proposal. Please contact Delia Dreher (ddreher@conservation.org) if you have any questions regarding this RFP.

⁴ For the avoidance of doubt, this is not intended to restrict the use by BHP, CI or Pollination of any information that they already have (if not by breach of a confidentiality obligation) or generate independently from the RFP process.

ATTACHMENT

PROJECT INFORMATION NOTE

[PROJECT NAME]

Date

A. Project Details	
Project Type	<input type="checkbox"/> Afforestation and Reforestation <input type="checkbox"/> Avoided unplanned deforestation <input type="checkbox"/> Avoided planned deforestation <input type="checkbox"/> Wetlands / peat conservation
Ecosystem Type	
Current Project Status	<input type="checkbox"/> Concept <input type="checkbox"/> In development <input type="checkbox"/> Limited Implementation and Progress towards Validation <input type="checkbox"/> Project Validation and Implementation <input type="checkbox"/> Project Verification and Implementation <input type="checkbox"/> Multiple Verifications and on-going Implementation. ___ years active <input type="checkbox"/> Other (explain) Carbon credit generation beginning in year:
Location	
Brief Project objectives and proposed activities	
Project Size (in hectares)	
Project Volume (in VCUs/other relevant units equivalent to one tonne of CO ₂)	
Brief description of Biodiversity and Ecological Value	
Brief description of Community Value	
Brief description of government or government official involvement	
Standards	<input type="checkbox"/> Verified Carbon Standard (VCS) <input type="checkbox"/> Methodology used _____ <input type="checkbox"/> Climate Community & Biodiversity Standard (CCBS) <input type="checkbox"/> Gold-level?

	<input type="checkbox"/> Other (explain)
Links to Project Design Document, if available (PDD)	

B. Project Proponent	
Name of Organization	
Organizational Category	<input type="checkbox"/> a. Non-Governmental Organization <input type="checkbox"/> b. Community Organization (Co-op etc.) <input type="checkbox"/> c. Private Company <input type="checkbox"/> d. Other (explain)
Summary of relevant experience of the project developer	
Address	
Contact Person	
Telephone / fax	
E-mail and website	

C. Policy Context	
Describe the host country's (or province / region's) policy position regarding NCS projects, ownership of carbon and transferability of carbon rights	
Briefly describe Project alignment/engagement with host country approach	
Other key details	

D. Financial Information	
Indicative project budget request	
Amount of carbon credits (as indicated by budget above)	
Project current and projected sources of revenue	
Project sustainability strategy	

<p>E. Risk Analysis – Please respond to the questions below and refer to section 3.4 (sub-section E) of the RfP for description of risks. If any risks are identified please also include a description of actions being taken by the Project Proponent to mitigate such risks. Please limit responses to 150-200 words per question.</p>	
a) Tenure	
i) Which entity/ies is/are the legal owner(s) of the project land and/or buffer zone?	
ii) Describe the legal rights the project proponent has to the project area.	
iii) Are there any historical or existing disputes over land ownership in the project area?	
b) Legal approvals and regulatory risks	
i) If legal or regulatory approvals (at the national and sub-national levels) are required for the Project Proponent to carry out the Project, have these been obtained? If approvals have not been obtained yet, please describe the approach the project staking to obtaining approvals?	
ii) Are any additional approvals required for the Project to continue with planned activities, including the sale of carbon outside the country?	
iii) Does the Government have any law, regulation, policy or framework that governs or may restrict or permit the international sale of carbon credits.	
c) Risk of Reversal	
i) Describe the challenges the Project faces to ensure permanence of results.	
ii) Describe the buffer arrangements in place for emissions reductions.	
iii) Describe the approach of the Project Proponent to prevent reversal	

of the results achieved by the Project.	
d) Stakeholder Interests or Conflicts	
i) Describe any historical, existing or anticipated conflicts over the Project land and resources, and how such conflicts are being managed (including if there have been any violent events or legal processes)	
ii) Describe any historical, existing or anticipated conflicts in the Project's buffer zone of the project or the areas bordering the Project area, and how such conflicts are being managed (including if there have been any violent events or legal processes)	
iii) Describe any safety and security concerns relevant to the Project either at the national or local level.	
e) Human Rights Risks	
i) Describe any human rights issues the Project has experienced, specifically with vulnerable and marginalized groups, women and indigenous peoples	
ii) Did the Project Proponent undertake a free-and-prior-informed consent process before the project commenced and does it continue to use such a process in carrying out community consultations?	
ii) Please describe the Project's approach to inclusion and participation of vulnerable and marginalized groups, women and indigenous peoples in Project activities.	

F. Risk Analysis (Optional) – *It is optional to respond to the questions below. Please refer to section 3.4 (sub-section E) of the RfP for description of risks. If any risks are identified please also include a description of actions being taken by the Project Proponent to mitigate such risks. Please limit responses to 150-200 words per question.*

<i>a) Alternate Uses of the Area</i>	
i) Describe the current land use activities that take place in the Project area and buffer zone, including any extraction (mining etc) or production (farming etc) activities.	
ii) Describe how conflicting land use activities are managed by the Project Proponent.	
<i>b) Management Capacity</i>	
i) How many staff are dedicated to management of the project? Describe the different types of role (eg, executive management, project level operations, financial management)	
ii) Describe strengths and opportunities for improvement of the organizational and technical capacity of management entities or implementing partners, including government agencies, have with implementing and ensuring the success of project activities?	
iii) Describe mitigating actions or plans the project proponent has in place to address capacity issues.	
<i>c) Financing</i>	
i) Is the annual revenue that the Project Proponent receives for management of the Project sufficient to cover management costs? Has the revenue been stable since the commencement of the Project?	
ii) What are the main types of revenue sources for the Project (eg. Philanthropic grants, loans, carbon revenue, other non-timber forest products or ecosystem services)?	
iii) Does the Project Proponent have plan for the long-term financing of the Project?	
<i>d) Reputation Risk for Partners</i>	

i) Has there been any negative publicity regarding the Project? If so how has the Project Proponent managed this?	
ii) Are you aware of any reputational considerations or negative publicity regarding other funders or partners of the Project that we should be aware of?	

G. Additional information the project proponent wishes to share

H. Supplemental materials