



September 24, 2015

TO: NICFI
From: Climate Advisers
Re: **Task Order 2: REDD+ and ICAO**

Climate Advisers proposes to establish Task Order 2 under the Consultancy Assistance Agreement (tender ref. 15/396) with the Government of Norway's International Climate and Forest Initiative (NICFI) under the title: "Raising Climate and Forest Ambition: Delivering High Impact Strategic Thinking, Innovative Solutions and Rapid Action."

1. Purpose and Goal

Climate Advisers will provide support for NICFI's efforts to include REDD+ offsets under a new global market-based mechanism (MBM) to reduce greenhouse gas emissions from aviation. Nations are negotiating the MBM through the International Civil Aviation Organization (ICAO), which may take initial decisions on the matter in 2016 at the 39th meeting of the ICAO Assembly. Specifically, Climate Advisers will:

- Conduct a perceptual audit of key countries, companies and civil society groups to analyze the leading political dynamics underlying the MBM and to identify the main technical, policy and political opportunities and barriers to including REDD+ in the MBM, and

- Prepare a quantitative and policy analysis of the rationale for including REDD+ in the ICAO MBM including a consideration of challenges and opportunities for REDD+ to be the main source of emission reductions to the MBM compared to a sector neutral design.

2. Background

Aviation emissions currently account for 2% of global CO₂ emissions, and as much as 5% of global greenhouse impacts, and are expected to double by 2020 and quadruple by 2050, making this the fastest growing source of emissions in the global transportation sector. An international effort to reduce aviation emissions is an important but often-overlooked climate solution.

The international community is in the process of designing a new MBM to address international aviation emissions, working through ICAO. Nations have set a goal of concluding these negotiations by February 2016, however, given the slow pace of progress on this issue in ICAO the process may take longer. However, recommendations relevant to REDD+ are expected before the end of the calendar year.

Several issues need resolution before ICAO can effectively establish an MBM with a high degree of environmental integrity. These include a general model for distributing responsibility, a governance model, MRV system, registries and emission units criteria. How this is set up is of relevance to how or if REDD+ can be included under the mechanism. One could consider prioritizing REDD+ as a main source of emission reductions or REDD+ can be one of several sources. A worst-case scenario is that REDD+ is excluded or limited. It is also a risk that REDD+ is included in a manner that is not in line with the political and technical framework agreed under UNFCCC, namely the growing trend to address REDD+ at the jurisdictional level.

The framework for REDD+ was finalized under UNFCCC in Bonn last June and negotiators are expected to formally adopt it at COP21. In anticipation of this, several tropical forest countries are in the process of developing ambitious plans and programs for REDD+, but there is a lack of significant, long term, predictable funding for these emission reductions. This is important for REDD+ to be implemented at scale. There is a significant potential in matching the demand from ICAO with the supply from REDD+ countries that needs to be further analyzed in this task.

To reach consensus on how REDD+ can be included, it is essential to have a solid knowledge base regarding how the ambitions and potential structures under ICAO could best be matched with what has already been developed/are being developed for REDD+, in a manner that enhance the environmental integrity of the mechanism.

Climate Advisers brings much experience working to reduce aviation emissions through policy analysis, political strategy, elite and grassroots campaigns, and communications efforts. For example, Climate Advisers serves as the secretariat of Flying Clean, a grassroots coalition calling on airlines and countries to reduce climate pollution from aviation, including through ICAO. Climate Advisers has also led global communications efforts directed at ICAO and has sought to influence national decisions on proposed regulations to reduce aviation emissions in Europe and the United States. In view of this experience and NICFI's focus on ICAO, NICFI has requested that Climate Advisers carry out the work described below.

3. Work Streams

Work Stream 1: Perceptual Audit of Current ICAO MBM Landscape

Through research, interviews, and participation in related public fora (such as the World Aviation Forum in November and other similar events as appropriate), and building on its existing depth of expertise and experience in the space, Climate

Advisers will seek to assess the current state of play around the ICAO negotiations, airline emissions reduction efforts and particularly the potential for an agreement on including REDD+ in the MBM considering various models for how this could be done.

We will solicit opinions and information from a select but influential collection of interested stakeholders, including, but not limited to: ICAO member countries, airlines, civil society groups, and other experts on the state of the negotiations. A key focus will be to determine the levers of influence that are shaping the process leading up to February 2016 and beyond.

The final perceptual audit will be completed within 60 days of Task Order agreement and will take the form of a detailed oral presentation, with written materials or visuals for support. Climate Advisers will provide an interim progress report to NICFI after the first 30 days.

Work Stream 2: Assessing the Case for REDD+ in the MBM

Before deciding whether to pursue a sustained effort to include REDD+ in the ICAO MBM, NICFI would benefit from an analysis of how strong the rationale for including and/or prioritizing REDD+ in the MBM really is. Climate Advisers will conduct a quantitative and qualitative analysis of the case for including REDD+ in the MBM. While not included in the current budget, NICFI might consider whether to fund Climate Advisers to publish this analysis as a public policy brief.

The analysis would answer the following questions:

1. What is the size of the likely MBM market?
2. What is the size of possible REDD+ supply in the short and long run?
3. How do the costs and supply of REDD+ compare to other possible "offsets" in the MBM?

4. What are the pros and cons of advocating for REDD+ only versus a sector neutral approach?
5. How can the MBM best be matched with the institutions and policies that have already been developed/are being developed for REDD+?
6. How can this constitute a functioning market with sufficient number of suppliers and liquidity in the market as well as low transaction and administration costs?
7. What are the expectations/requirements of the actors involved?

The above work streams should not be thought of as mutually exclusive, but rather two parallel projects where lessons learned in each can enhance the ultimate final product, namely providing NICFI with as much relevant information as possible for it to evaluate the feasibility and wisdom of pressing for REDD+ in ICAO in the months ahead.

4. Summary of Concrete Outputs and Deliverables

Climate Advisers would deliver the following outputs to NICFI starting from the date this task order is approved.

- Bi-Weekly conference calls to update the status of audit and findings
- 40 days: Initial perceptual audit draft
- 60 days: Final perceptual audit and draft analysis of REDD+ in the MBM
- 75 days: Final analysis of REDD+ in the MBM

5. Duration:

This Task Order shall begin as of September 22, 2015 and expire December 31, 2015.

6. Staffing

Climate Advisers CEO Nigel Purvis will oversee this effort. Garret Russo, a new Climate Advisers Senior Fellow with prior experience leading efforts on ICAO and REDD+, will lead this project day-to-day. Climate Advisers Directors Rebecca Lefton (policy) and Joel Finkelstein (communications) will contribute in their respective areas, Managing Director Michael Wolosin will lead REDD+ economics and quantitative research, supported by Senior Associate Maria Belenky. Andy Thorne will provide program support.

7. Points of Contact

The primary Climate Advisers contact for Task Order 2 strategy shall be Nigel Purvis, supported by the staff identified above.

As per prior instructions, administrative invoices and questions shall be sent to Ane Broch Graver at Ane-Broch.Graver@kld.dpe.no

8. Summary of Budget

The budget for this Task Order is US\$191,339. Details for the budget are provided in the attached spreadsheet. Invoices shall be provided monthly, and US originated expenses will be converted to NOK using the mid-market conversion rate on the last day of the prior month, www.xe.com.

