REQUEST FOR EXPRESSIONS OF INTEREST
(Consulting Company)

Africa Development Bank (AfDB)

Energy Climate and Environment Division (ONEC.3)

EXPRESSIONS OF INTEREST ARE REQUESTED FOR Promoting private sector engagement in Adaptation and Resilience through the creation and marketing of Adaptation Benefit Units (ABUs)

The AfDB serves as an implementing agency of the Climate Investment Funds (CIF) for projects and programs in African Pilot-Countries. Through the Environment and Climate Change Division (ONEC.3), AfDB administers and manages funds in accordance with its own rules and procedures. The CIF has granted funds to AfDB under their Special Initiative Budget for Supporting Innovative MDB Knowledge Products. AfDB will use those funds for the following study:

AfDB is interested to explore the possibilities to develop an Adaptation Benefit Mechanism based on experience from the Clean Development Mechanism and / or Payment for Eco-System Services business models. AfDB proposes that financing projects by buying adaptation benefits could be more beneficial to developing countries in the long run than financing projects through the sale of mitigation units.

Objectives of the assignment

Background: Africa has relatively small sources of GHG emissions and so has few opportunities to mitigate emissions. On the other hand, as much as 70% of Africa’s 2050 infrastructure still needs to be built and hundreds of millions of people, who need to move out of poverty and subsistence farming, remain highly exposed to changing climates and extreme conditions. To make this happen, the climate finance community needs to focus on adaptation and resilience. The major challenge to financing adaptation and resilience, and the problem facing the international community’s goal of directing 50% of the USD100bn towards adaptation, is that adaptation offers little or no financial incentive to the private sector. The benefits of climate resilient infrastructure or, for example, improved indoor air quality accrue to the economy over long periods of time, not to private sector investors over short to medium term payback periods.

The purpose of this work is to kick start a process whereby private investors can be paid for the delivery of “Adaptation Benefit Units” or ABUs alongside revenues from the delivery of climate resilient or adapted goods and services. So in exactly the same way that the CDM enabled private sector project developers to invest in low GHG emission technologies such as renewable energy technologies which were less competitive or faced higher risks than conventional technologies, the opportunity sell
ABUs can send a price signal to project developers that will encourage them to invest in technologies, goods and services which bring verified adaptation and resilience benefits to developing economies.

Adaptation benefits are likely to come in all shapes and sizes however, since there is no compliance requirement, ABUs can remain a heterogeneous commodity or a non-commoditized asset. This is critical to the proposed initiative because it means that there is no requirement for standardization or fungibility; one unit does not need to have the same benefit as another. As a consequence, the price can vary and so, in effect, the consumer will buy the “history” or “story” behind the unit. One unit may cost $1 from one project and $10 from another project but there will be different histories behind the two prices. These histories will be documented and verified in the Adaptation Benefit Project Design Document (ABPDD). The ABPDD will also contain full and transparent details of the costs of generating the ABUs. These costs will be verified and over time, verifiers (DOEs in CDM language) will build a database of costs which will give consumers confidence that they are paying a fair price for their ABUs. Understanding this point is important because one of the undesired side effects of the creation of benchmark price in the CDM was that the private sector, inevitably, concentrated on localities and technologies which offered the lowest cost of production and lowest risks – ending up in a predominance of certain technologies and geographies in the supply line.

A simple price signal for emission reduction units led to the creation of a CDM project pipeline valued at in excess of USD500bn¹. Similar, though smaller experiences are noted with the concept of Payment for Eco-system Services (PES) and in more specific or restricted markets, biodiversity credits, wetland credits etc. A price for the delivery of adaptation benefits (i.e. a payments by results model) can do the same thing for adaptation projects. Such a business model could radically alter the financing model for adaptation and resilience projects.

This is an innovative proposal which seeks to take important lessons from existing market-based mechanisms including the CDM and PES, and apply them to the concept of adaptation in a new way. Much of the existing infrastructure of the CDM and voluntary carbon markets is highly relevant and some parts may be adapted for new uses.

**DUTIES**

The scope of engagement is to develop a working example of how an adaptation project can deliver Adaptation Benefit Units (ABU)² for sale to a donor, a Corporate

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¹ The sum of financial investments in PDDs which were posted on the UNFCCC website or DOE’s websites for stakeholder consultation as listed in the UNEP RISOE’s CDM project pipeline.

² An Adaptation Benefit Unit is a verified benefit or outcome from a project which improves the ability of households, communities, economies to adapt to changing climate conditions and improve their resilience to un-planned events. Since ABUs have no compliance value, there is no requirement for fungibility and therefore ABUs could be denominated in various units such as “clean water households per year” or “clean cooking households per year”
Social Responsibility (CSR) conscious entity or a Socially Responsible Investor (SRI). It will include the development and presentation of the following deliverables:

- An overarching narrative and presentation;
- An annotated set of Modalities and Procedures for an Adaptation Benefit Mechanism, based, if appropriate, on the CDM Modalities and Procedures, highlighting how existing infrastructures could be applied to the project concept and what would need to change;
- One complete Adaptation Benefit Methodology (ABM) related to the selected project;
- At least six additional methodological outlines (approx. 1 page each) to demonstrate that the concept can be applied to a range of other technologies and deliver a range of other kinds of adaptation benefits and including outline methodologies for renewable energy and grid connections financed through adaptation benefits;
- An AB Project Design Document (ABPDD) for the selected project;
- An AB monitoring report template (ABMR); and
- An (unsigned) AB Purchase Agreement (ABPA) for the selected adaptation project.

A potential project in Uganda has been identified and details will be presented in the ToRs, but the consultant may also propose an alternative project.

Target beneficiaries
This project is highly participatory and offers roles and benefits for a number of key players including:

- The CIF, because this proposal offers a new approach to promoting private sector involvement;
- Parties to the UNFCCC and the Paris Agreement, because it offers an opportunity to develop a non-market mechanism for Adaptation Benefit Units under Article 6.8;
- Stakeholders in the selected project; and
- Donors, the GCF, the private sector, CSR actors and Impact Investors who may see this approach as an efficient means to support adaptation investments whilst also raising climate ambition in developing countries.

Target benefits
- Strategic benefits: At a programmatic scale, the initiative has important potential for further development under the CIF or, for example, a formal “Adaptation Benefit Mechanism” under the UNFCCC.
- Project level benefits: Depending on the project selected and the ability to actually develop and sign an ABU off-take agreement, we may succeed in raising finance for the project.
Indicative work plan

Following the award of the contract, the consultant will be invited to join an inception call and asked to prepare an inception report outlining with plans for the engagement, ideally after receiving feedback from stakeholders at CoP22. To this end, the selected consultant will be invited to join a panel discussion at a Side Event in the African Pavilion at CoP22 at 2 pm on Tuesday 8th November (the consultant may need to secure their own access to the blue zone in order to participate).

Work will proceed over the following 12 weeks with interim reports as proposed by the consultant. The final report may be presented in association with SBSTA 46 in May 2017 and the CIF semi-annual meetings in May / June 2017.

Support in kind

AfDB will continue to seek interested off-takers for the ABUs; liaise with a legal firm who offered pro bono assistance to structure the first ABU Offtake Agreement(s); seek projects and liaise with Climate Negotiators to promote the concept at CoP 22 and beyond.

Communications/dissemination plan for the activity

AfDBs CIF Communications team will prepare and disseminate publicity materials under the AfDB and CIF logos.

Next steps

Interested candidates should submit a short expression of interest to G.Phillips@afdb.org copied to M.Sales@afdb.org by 8 am GMT on Tuesday 4th October.

Shortlisted candidates will be sent the full Terms of Reference on or around Friday 7th October and asked to submit their technical and financial proposals within 10 days. Ideally the inception report will be submitted following the receipt of feedback from stakeholders at CoP22.

Questions and requests for clarifications may be sent to: Gareth Phillips, Chief Climate and Green Growth Officer, ONEC.3 at the above email address.