



2016 Request for Proposals

I. Purpose/Scope

We're looking for a few great projects! The Climate Trust (The Trust) is launching a first-of-its-kind fund to channel large volumes of financing into carbon offset projects to help mitigate climate change. The Trust's fund will make investments in carbon mitigation projects at an early stage in their development. We are beginning with a pilot fund of \$5.5 million that will be deployed in 2016. This pilot will prove our concept and unlock further rounds of increased financing for deployment in 2018, allowing us to offer financing to more sectors and developers. We invite project owners and developers with experience in developing Improved Forest Management, Avoided Conversion forestry, livestock manure digester and Avoided Conversion of Grasslands projects to apply for our initial round of financing.

II. What is the Fund?

We are committed to staving off a disastrous rise in global temperatures by accelerating the pace of carbon mitigation through increased deployment of conservation finance. To accelerate the pace of project development, we have found that early-stage funding is critical—offering greater potential for impact and supporting a vital stage of project development. The Trust has assembled additional impact investment dollars to form a fund to enable these early-stage investments.

III. Who supports it?

Our pilot investment fund is supported by the US Department of Agriculture and the David and Lucille Packard Foundation.

IV. Our offer

We make an early-stage investment into a project in return for ownership of carbon credits from the project's first ten years. Projects receive an upfront investment, equal to one half the current market carbon price multiplied by the project's projected credit volume over the period of ten years. This investment can be used for such expenses as development costs, land acquisitions, construction and verification. Because the intent of the upfront investment is to encourage project owners to initiate a valuable conservation practice that will yield a carbon benefit, understanding how an upfront payment will impact management change will be an important element of The Trust's evaluation process for projects. The Climate Trust manages the sale of the carbon credits on behalf of the project, first recovering its investment and then splitting all remaining carbon revenues with the project owner. Our active involvement with projects supports healthy yields of credits and fruitful revenues from their sale as carbon market prices continue to increase as anticipated. The project owner retains ownership of the future stream of credits after the project's first ten years.



V. Eligibility Requirements

Target Sectors

At this time, we are seeking project proposals from experienced project owners and developers in the following *domestic* offset sectors: Improved Forest Management (IFM), Avoided Conversion forestry (AC), Avoided Conversion of Grasslands (ACoGS) and Livestock Manure Digesters.

Protocols

Preference will be given to projects that agree to adhere to one of the following protocols. The Trust will conduct an analysis to ensure projects fit the eligibility requirements of the protocols. Adherence to a protocol is how The Trust ensures the projects it invests in meet our high quality standards and deliver carbon credits that are real, permanent, enforceable, additional, and verifiable.

- [U.S. Forest Projects \(November 14, 2014\)](#) (California Air Resources Board)
- [Livestock Projects \(November 14, 2014\)](#) (California Air Resources Board)
- [Grassland Project Protocol Version 1.0](#) (Climate Action Reserve)
- [Avoided Conversion of Grasslands and Shrublands to Crop Production](#) (American Carbon Registry)

In addition to the priority protocols listed above, The Trust will consider other projects within our target sectors on a case-by-case basis; these projects might follow the following protocols:

- [Improved Forest Management \(IFM\) for Non-Federal U.S. Forestlands](#) (American Carbon Registry)
- [Improved Forest Management \(IFM\) for U.S. Timberlands](#) (American Carbon Registry)
- [U.S. Livestock Project Protocol Version 4.0](#) (Climate Action Reserve)
- Forest Project Protocol [Version 3.3](#) (Climate Action Reserve)
- [Methodology for Improved Forest Management: Conversion from Logged to Protected Forest, v1.2](#) (Verified Carbon Standard)

Project size

Our current minimum credit volume for projects over a ten year crediting period is 100,000 tons for forestry, 75,000 tons for livestock digesters, and 50,000 tons for grasslands conservation. The Trust will conduct an analysis to confirm the projected credit delivery volumes.

Investment size

During the initial \$5.5 million round of financing, no investment from The Trust will be less than \$250,000. The maximum investment to an individual project will not exceed \$2 million. Note this maximum for a single grassland project is set at \$1 million.



Other considerations

Projects eligible for EQIP funding from the USDA's Natural Resources Conservation Service are encouraged to apply.

EQIP requires the following of landowners:

- Be in compliance with the highly erodible land and wetland conservation provisions (7 CFR Part 12)
- Have an interest in the agricultural operation as defined in 7 CFR Part 1400
- Have control of the land (lease is okay) for the term of the proposed contract period
- The average adjusted gross income of the individual, joint operation or legal entity may not exceed \$900,000

Ineligible projects

We are currently not seeking proposals from projects outside our target sectors. As our investment fund scales, we hope to incorporate additional sectors. Projects located outside of the United States are also ineligible.

VI. Investment fund timeline

Our aim is to commit \$5.5 million to projects in 2016 with the intent of committing an additional \$10 million over 2017 and 2018. Potentially feasible projects that are not funded in the initial round of \$5.5 million financing may be eligible in subsequent rounds. We will work with each project to determine the most appropriate timeline. Our goal is to scale the level of funding available in the future contingent upon the success of the projects in this first phase.

VII. What to expect during the selection process

This section details how project developers can expect to engage with us during the proposal review process.

The Trust follows a phased approach for reviewing project proposals. We have found that the length of time needed to contract with projects varies, and is strongly influenced by the degree of engagement by the project owner. To ensure the success of our first round of projects we will be evaluating projects according to a firm timeline; projects not meeting this timeline will not be funded in 2016, but may be considered for subsequent funding rounds if basic requirements are met. Projects can expect frequent contact from The Trust. We will assign a primary point of contact for each project that meets our initial feasibility requirements.

Our current request for proposals will run from January 25-February 26, 2016, and projects responding to this request can expect engagement with The Trust according to the timeline reflected in Table 1 below. Our goal is to enter into contracts with projects by year-end which will trigger the release of our finance. The Trust accepts project proposals throughout the year at our Apply for Finance webpage; however, projects that do not submit prior to the February 26 deadline may not conform to the engagement timeline shown in Table 1.



VIII. Important Dates*

- January 25: Release of Request for Proposals (RFP)
- February 26: Project proposals due date (COB)
- March 25: Completion of The Trust’s initial screening. Notifications provided to project owners
- April 15: Second information request due date
- June 10: Execution of term sheets cut-off date
- June 24: Third information request due
- Aug 19: Notification of intent to pursue approval for contract negotiation sent to selected projects
- Sept 9: Notification of approval status sent to selected projects
- Sept 23: Circulation of draft contract cut-off date
- December 16: Execution of final contracts cut-off date

*Please note: The dates provided in this document are intended to provide clear expectations for maximum project timelines; projects may move through this process at an accelerated rate, but no slower.

Table 1: RFP Timeline

Dates:	Engagement milestone:	Duration:	Description:	Is information required from project owner?
Feb. 26, 2016	Submission of application by project owner		Project owners use The Climate Trust’s Apply for Finance webpage to apply. This application constitutes The Trust’s first information request from the project owner.	Yes- See detail listed under “First information request” on Page 6
Feb. 27- Mar. 25, 2016	The Trust’s Initial feasibility analysis	Up to 4 weeks, dependent on number of applications	The Climate Trust staff conducts an initial screen to ensure minimum requirements are met. By March 25, 2016, all projects will be notified of their status. Projects not selected will receive notification, and selected projects will receive a follow up communication from The Trust requesting additional information.	No
Mar. 26, 2016-Apr. 15, 2016	Project owners respond to second information request	3 weeks	An analyst from The Climate Trust will contact each feasible project and request additional information; the project will have until April 15, 2016 to compile and send this information. A nondisclosure agreement (NDA) can be executed at a project owner’s request before sharing additional information. In such cases, The Trust will provide a copy of its NDA for execution.	Yes- See detail listed under “Second information request” on Page 6
Apr. 16, 2016-Jun. 10, 2016	The Trust’s technical feasibility analysis; term sheet	5-7 weeks from response to second	The Climate Trust staff conducts a more detailed screen to determine whether the project is likely to deliver sufficient volume of offsets, and whether the delivery schedule and payment terms are agreeable. For selected projects, The Trust and	No



	execution by the Trust and project owner	information request	the project owner agree to a term sheet (written terms of a credit transaction), which is signed by both parties. By June 10, 2016, all term sheets will be executed and projects determined to be infeasible will be notified.	
Jun. 11, 2016-Jun. 24, 2016	Project owners respond to third information request	2 weeks from execution of term sheet	Information on the counterparty (project owner the Trust would sign a contract with) will be requested to perform a final round of due diligence. This information is due by June 24, 2016.	Yes- See detail listed under "Third information request" on Page 7
Jun. 25, 2016-Aug. 19, 2016	The Trust's full due diligence risk assessment and programmatic determination	5-7 weeks from response to third information request	The Climate Trust staff performs a full risk assessment of both the project and the associated counterparty. Several factors are weighed including counterparty experience and financials. A site visit may also be scheduled at this time to confirm expected credit volumes. All feasible projects are then considered together, to assemble a portfolio mix appropriate for The Trust's fund. Projects which will be submitted for approval for contract negotiation will be notified by email no later than Aug 19, 2016.	No
Aug. 20, 2016-Sept. 9, 2016	Approval of The Trust's Committees for contract negotiation	Up to 3 weeks	Selected projects are presented to our Glass Door Committee (consists of external experts whose role is to assess the perception benefits and risks to The Trust associated with the project) and Risk Committee (consists of Trust Board members who advise on price, market, and delivery risks associated with the project and risk mitigation strategies). Risk Committee approval is required to start contract negotiations. Approved projects will be notified no later than Sept. 9. 2016.	No
Sept. 10, 2016-Sept. 23, 2016	Draft contract provided to project owner by the Trust	Up to 2 weeks	The Climate Trust will begin contract negotiations with a draft contract, furnished to approved projects no later than Sept. 23, 2016.	No
September 24, 2016-December 16, 2016	Contract negotiations and approval by The Trust's full Board of Directors	Negotiation typically takes 2- 12 weeks from Committee approval; Board approvals occur on an as-needed basis	The Director of Risk Management negotiates all contracts with support from our legal counsel, and staff. Contracts cover the roles and responsibilities of the project owner and The Trust as an investor, and the rights each Party has in the event the offset project does not perform as dictated. Once agreements in principle are reached, The Trust will engage its Board of Directors for final approval. This approval authorizes execution of the contract. Contracts will be executed no later than Dec. 16, 2016.	No



IX. Information we request

The Trust typically makes three types of information requests of promising projects. The first, during the project submission phase, includes basic details about the project and its owner, and allows us to make an initial determination of project feasibility.

The second gathers more specific details about the project and allows us to perform a thorough analysis of the project's credit generation potential and risks and can lead to the signing of a term sheet.

The third, requested after a term sheet is executed, is designed to assess the ability of the potential counterparty to adhere to The Trust's project performance standards and fulfill their obligations detailed in a contract. Details about each of these data requests follow. Please be assured that all information collected by The Trust is kept in absolute confidence. A nondisclosure agreement (NDA) can be executed at a project owner's request before sharing additional information. In such cases, The Trust will provide a copy of its NDA for execution.

First information request - Project submission and initial feasibility analysis

Projects should respond to this request for proposals by using The Trust's [Apply for Finance](#) webpage. You will need to supply:

- The project type, location, and size;
- Forestry and grasslands projects require a map of the potential project area;
- Livestock digester projects require a timeline for project financing;
- Which project protocol the project intends to adhere to, if known;
- Contact information for the party submitting the project; and
- A description of the project. This typically includes a description of the practice change to be implemented as well as the condition prior to the project's implementation.

If your project is selected to move to a full feasibility analysis, you will be contacted by a representative of The Trust, who will ask you to provide more information about your project. If your project does not pass the initial screen, you will be notified by email no later than March 25, 2016.

Second information request - Technical feasibility analysis

Our second information request is designed to inform the development of a non-binding term sheet, a document that describes the probable range of credit volume available from the project and the size of The Trust's potential investment. Term sheets represent a basic agreement between The Trust and the project owner that can inform the subsequent contract negotiation process. Information requested for our full project feasibility analysis depends on the project type. Analysts will work with project proponents to gather some or all of the following after initial feasibility is determined.



For forestry projects:

- Proof of project ownership or right to develop;
- Notation of any conservation easements or other legal encumbrances restricting timber harvesting;
- Forest sustainability certifications, if any;
- Current forest inventory;
- Project area spatial data (forest stands, plot locations, etc.);
- Forest management plan;
- Potential avoided forest conversion projects must provide evidence of conversion pressure, a description of anticipated alternative use and any relevant zoning laws or ordinances that might restrict or limit land conversion. Documentation of the development pressure on the site may include whether it comes from farming, mining, residential development or other, and the value of the alternative use of the land; and
- Project co-benefits (water quality, recreation, wildlife protection, etc.).

For livestock digesters:

- Proof of project ownership or right to develop;
- Number of cows or pigs expected to supply manure to the digester over the next ten years;
- Description of how manure is managed prior to the installation of a digester;
- Timeline (for finalizing permits, Power Purchase Agreement, financing, beginning of construction);
- Any sale of other environmental attributes from the project (RECs, RINs, or LCFS credits);
- Technology used by the project;
- Management of biogas and effluents produced by the digester;
- Project financial pro forma; and
- Sources of financing and contracts in place associated with key revenue streams.

For grasslands projects:

- Shapefiles or GPS points marking property boundary;
- Proof that land has been grassland for at least 10 years;
- Notation of any legal restrictions (conservation easements or participation in USDA conservation payment programs, etc.);
- Description of conversion pressure and conversion suitability;
- Description of current land use (grazing management plan, haying operation, irrigation and water rights); and
- Type of livestock grazed and number of grazing days.



Third information request - Full due diligence risk assessment:

Execution of a term sheet triggers a final information request for information pertaining to the counterparty (project owner). The Trust enters into contract with a counterparty once this due diligence phase is completed satisfactorily and our Risk Committee has provided their approval. Information gathered during this stage typically includes:

- Counterparty documentation that explains organizational structure, business model, key partnerships, staff expertise and legal standing;
- Financial information including audited financial statements, proof of debt and equity agreements in place, and banking relationships; and
- For developers: Examples of landowner agreements and other project documentation typically employed.

X. Expectations of funded projects

Any project entering into a contract with The Trust is expected to comply with the terms of its contract over the entire lifetime of the project. For projects funded through our Investment Fund, the following expectations apply:

The Climate Trust will:	The Project will:
<ul style="list-style-type: none"> • Assign a Project Lead, who will be the Project’s primary point of contact and will follow up regularly to ensure compliance with the contract • Promptly release financing to contracted projects • Actively engage with the project on monitoring, verification and protocol compliance requirements to support the successful delivery of credits 	<ul style="list-style-type: none"> • Adhere to any monitoring and verification requirements required by the contract with The Trust • Respond to requests for project updates from the Project Lead in a timely manner • Inform the Project Lead of any issues with the project prior to credit delivery (this includes issues that will negatively or positively impact volume)

XI. Webinar

The Trust will hold an informational webinar from 10:00-11:00am PST on Wednesday February 3, 2016, to answer questions relating to this Request for Proposals. You may register for this webinar by [clicking here](#).

XII. Other Important Information:

This Request for Proposals does not obligate The Trust to negotiate or award a contract to any one or more project owners that submit a project as a result of this request. The Trust is not responsible for the costs or taxes project owners incur responding to this request or any costs that may result from the execution of a contract.



**THE
CLIMATE
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The materials submitted to The Trust in response to this request will remain confidential. The Trust reserves the right to share select information regarding the proposals with its Glass Door Committee, Risk Committee, legal counsel, and Board of Directors. These agents of The Trust are essential to aid in project selection and the contracting process. All agents of The Trust are bound by confidentiality and conflict of interest provisions.

The Trust will retain at least one copy of each proposal and supporting documentation received for archival purposes. The Trust is working toward a fully automated proposal tracking system; project owners would be able to log in and track their project as it moves through our selection process. Any archived information saved from this Request for Proposals will not be shared, but may be used by The Trust to inform the design of this automated system for future project submittals by developers.

XIII. Contact us

For questions related to this Request for Proposals, please contact Liz Hardee, Senior Analyst for The Climate Trust at ehardee@climatetrust.org.