**Specification for ‘****Trade policies and emissions reduction: Establishing and assessing options’**

Tender Reference Number: AG/0222

**Specification of Requirements**

Invitation to Tender for ‘Trade policies and emissions reduction: Establishing and assessing options’

Tender Reference Number: AG/0222

Deadline for Tender Responses: 23:59 Tuesday 22nd February 2022

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# Background

**The Climate Change Committee**

The Climate Change Committee (CCC) was set up as part of the UK Climate Change Act. The CCC is an independent body tasked with providing advice to Government on climate change issues, and the monitoring of progress on climate change mitigation and adaptation. Our advice includes recommendations on policies to enable decarbonisation, including on trade policy.

**Past CCC recommendations on trade policy**

Recent CCC reports have made several recommendations to Government regarding trade policy, including that Government:

* Develop the option of applying either border carbon adjustments or minimum standards to imports of selected embedded-emission-intense industrial and agricultural products and fuels. This should include initiating development of carbon intensity measurement standards and fostering international consensus around trade policies through the G7 and COP presidencies. (See [2021 progress report](https://www.theccc.org.uk/publication/2021-progress-report-to-parliament/)).
* Should use trade policy to encourage increased ambition on both climate change mitigation and adaptation in other countries, including considering the role for border carbon adjustments and standards to prevent carbon leakage. ([See 2021 progress report](https://www.theccc.org.uk/publication/2021-progress-report-to-parliament/))
* Explore trade measures similar to EU’s anticipated ban on key deforested commodities (See 2021 [COP26](https://www.theccc.org.uk/publication/cop26-key-outcomes-and-next-steps-for-the-uk/) report)
* Should adopt a policy to limit the GHG emissions from the production of fossil fuels consumed in the UK. This could be achieved through minimum standards or border carbon adjustments on imports. (See 2021 [onshore petroleum letter](https://www.theccc.org.uk/publication/letter-advice-to-the-uk-government-on-compatibility-of-onshore-petroleum-with-uk-carbon-budgets/))
* Trade policy must protect risks of carbon leakage from trade in agricultural products undermining the required changes in UK land management. (See 2020 [Land Use report](https://www.theccc.org.uk/publication/land-use-policies-for-a-net-zero-uk/))
* Government should extend the scope of bioenergy sustainability governance to standards, procurement rules and trade policy. (See 2018 [Biomass report](https://www.theccc.org.uk/publication/biomass-in-a-low-carbon-economy/))
* The CCC’s [Sixth Carbon Budget report](https://www.theccc.org.uk/wp-content/uploads/2020/12/The-Sixth-Carbon-Budget-The-UKs-path-to-Net-Zero.pdf) also set out an indicative timeline for policies to manage carbon leakage in the manufacturing sectors, including the role of trade policies (see Figure 1)



Figure 1: Indicative timing of policies to support deep decarbonisation in manufacturing sectors at risk of carbon leakage

Analysis that has informed these recommendations is set out in the associated reports as well as the analysis from the Energy Systems Catapult (ESC) on [Net Zero Carbon Policies to Mitigate Carbon Leakage an Competitiveness Impacts](https://www.theccc.org.uk/publication/industrial-decarbonisation-net-zero-carbon-policies-to-mitigate-carbon-leakage-and-competitiveness-impacts-energy-systems-catapult/), which accompanied the Sixth Carbon Budget report.

**Future CCC recommendations on trade policy**

Going forward the Committee would like to consider developing its recommendations on trade policy further. This is against a backdrop of several important developments in the decarbonisation of manufacturing, fuel supply, agriculture and land use and forestry.

* *Manufacturing and fuel supply*: Increased UK ambition on the decarbonisation of manufacturing will involve more expensive abatement measures and an increased need to have effective measures to manage carbon leakage. The committee considers it likely that this will ultimately require a transition away from free allowances and subsidy schemes towards trade measures; and other countries are considering this, including the EU with its proposed Carbon Border Adjustment Mechanism. Government’s upcoming UK ETS Free Allocation Review consultation will provide a moment for consideration of how free allocation evolve. The Government is also currently calling for evidence on ‘Towards a market for low emissions industrial products’. Internationally, the UN Industrial Development Organisation is seeking to develop carbon intensity measurement standards.
* *Agriculture and land use*: As the UK transitions to Net Zero, a sustainable agri-food sector plays an important role: UK food consumption accounts for around 15% of the UK’s emissions, around half of which can be attributed to imports. Exiting the EU provides an opportunity to define a new legislative basis for agriculture and the environment. As previous CCC reports, the government’s Net Zero Strategy, and Environment Bill have set out, land use in the UK needs to change in order to deliver climate and wider environmental goals.
* *Forestry*: The COP26 agreement on deforestation aims to halt and reverse deforestation and land degradation by 2030. To deliver this, it will be necessary to reduce demand from products of deforestation. Work is already underway to improve regulation of de-forestation free products across the EU, and the UK Environment Bill introduces new laws to try to tackle this.
* Across these areas, there is ongoing development of new UK trade deals.

We expect that development of recommendations will be at a higher level in the areas of trade of agricultural and land use products and focus on more detailed questions for manufactured products and fuels. This reflects the differing amount of analysis that we have done to date in these areas, most notably the role of trade policies in managing industrial carbon leakage, as set out in the ESC report listed above. The CCC also plans to continue in-house analysis of the relative role of carbon border adjustments and product standards in the manufactured products and fuels markets.

**Consideration of emissions and environmental footprint of imports**

The CCC’s [2020 progress report](https://www.theccc.org.uk/publication/reducing-uk-emissions-2020-progress-report-to-parliament/) (p81-) set out analysis of the UK’s consumption emissions footprint (see Figure 2.6 below). This shows that consumption emissions in 2017 were 772 Million tonnes of CO2 equivalent, of which 46% was emitted outside of UK territory, associated with traded good and services.

With substantial emissions arising from imported goods and services, the Committee is seeking to understand the potential role of trade policy on these consumption emissions.



# Objectives and tasks

The key aims of this project are to increase the Committee’s understanding of the trade policy options available to:

* Reduce the risk of carbon leakage and competitiveness impacts to industry and agriculture who are investing in emissions-reduction measures; and thus support the delivery of low carbon policies in these sectors in the UK.
* Reduce the UKs carbon footprint and consumption emissions.

This will inform the CCC’s trade recommendations in the CCC’s June 2022 Progress Report and beyond, as well as thoughts ahead of the UK Government’s planned Free Allocation Review consultation.

To achieve this objective, we have set out six tasks (a)-(f) below and an optional task (g):

1. Develop a taxonomy of trade policy options for supporting emissions reductions (5%)
2. Set out a summary of the current policy landscape covering trade and related environmental policy (15%)
3. Set out steps required to implement UK carbon border adjustment mechanism (CBAM) or UK minimum carbon standards on imports. (10%)
4. Assessment of key design decisions for a CBAM and products standards (30%)
5. Set out an assessment of policy options aimed at reducing agriculture consumption emissions and encourage sustainable practices in the UK land sector. (20%)
6. Set out an assessment of policy options to support the COP26 agreement to halt deforestation by tackling UK demand for products form deforestation. (20%).
7. [Optional] Analyse of source and sustainability of UK imports of key high-carbon products. (optional)

We have indicated how we would expect effort to be roughly split between the tasks by the percentages in brackets – bids should indicate how resource would be divided between the tasks. As highlighted above, we expect analysis in the agricultural and land contexts to be at a higher level than in the manufactured product and fuel areas.

Bids should prioritise producing high quality proposals for tasks (a)-(f) and only submit proposals for task (g) if it is possible to deliver this in addition to high quality deliverables for task (a)-(f). As such, credit will only be awarded for proposals for task (g) if proposals for tasks (a)-(f) are of sufficient quality.

1. **Develop a taxonomy of trade policy options for supporting emissions reductions [5%]**

This task requires the project to set out a comprehensive range of trade policy options that relate to reducing the UK’s territorial and consumption emissions and produce a clear and logical taxonomy to divide these up. This task will allow the CCC and the project team to establish a clear scope of policies to use in the latter tasks. We expect that those policies taken forward will concentrate on CBAMs and product standards, rather than the less specific commitments that appear in some trade deals.

The taxonomy should address questions such as:

* How do these options relate to the existing national and international framework of policies and agreements covering trade and climate/wider environmental standards?
* Through which policy vehicle(s) can each trade policy be implemented? Are there some that can only be implemented via trade deals? Can some be implemented outside of formal trade deals?
* What status do high level commitments to ‘commit to Paris Agreement’ or ‘maintain ambition’ have, versus more specific levers such as CBAMS?
* Do recent commitments at COP26 on methane and deforestation sit within your taxonomy of trade policies, or fall outside completely?

Extensive detail of these options is not required, as reflected by the weighting – but enough to clarify what each option does and how it would broadly work, so that decisions on scope can be agreed.

1. **Set out a summary of the current policy landscape covering trade policy and related environmental policy [15%]**

This task requires the project to set out a summary of the current landscape surrounding the potential to develop trade policies that would create a level-playing field between imports and domestic emissions reduction action. Aspects covered should include but not be limited to:

* Progress and initiatives on the development of embodied emissions measurement standards (metrics) or broader environmental standards, which are required as a basis for trade policy. Identification of any existing measurement standards that could be used as a basis for trade policy. This should include the consideration of impacts of land use change.
* The potential to build sufficient international buy-in (both Government and private sector) on measurement standards and on the implementation of carbon border adjustments and product standards. This should consider existing stakeholder views.
* The potential to build international consensus on removing subsidies that are harmful to climate objectives e.g., on fossil fuels and fertiliser.

The CCC has previously identified international diplomacy and embodied emissions reporting as important areas for development in developing climate change trade policies.

1. **Set out steps required to implement UK carbon border adjustment mechanism (CBAM) or UK minimum carbon standards on imports. [10%]**

This task requires the project to set out the detailed steps required to implement a UK Carbon Border Adjustment Mechanism (CBAM) or UK product standards on imports. This should cover but is not limited to: the role of relevant UK institutions, current regulation, Government process, required assessment, international engagement, and interaction with current trade deals.

The objective of this work is to inform committee recommendations. For example, the committee may wish to highlight certain steps for government to pursue, based on those identified in this work.

The scope of this task is limited to manufactured products, fuels and power. We expect there will be value in collaborating with the Government officials working on the ‘Towards a market for low emissions industrial products’ call for evidence.

1. **Assessment of key design decisions for a CBAM and products standards [30%]**

This task requires the project to set out:

* the key decisions to be made in the design of both a carbon border adjustment mechanism and a set of product standards,
* the associated options for each of the key choices.
* an assessment of the pros and cons of the different options.

Five key decisions and sets of options that should be set out, relate to

* 1. the timing of introducing these policies
	2. the scope of products or sector to which the policies should be applied.
	3. application to exports
	4. interaction with free allowances
	5. application to products from developing countries

We would expect further key design decisions and associated sets of options to be identified as part of the project. Credit will be given for setting out ‘key decisions to be made’ in the bid.

If appropriate, the project should set out recommendations for the design parameters based on the assessment.

The scope of this task is limited to manufactured products, fuels and power. We expect there will be value in collaborating with the Government officials working on the ‘Towards a market for low emissions industrial products’ call for evidence.

1. **Set out an assessment of policy options aimed at reducing agriculture consumption emissions and encourage sustainable practices in the UK land sector. (20%)**

The aim of this section is to assess the trade policy options that could be applied in the agriculture and land use sector to protect against risks of carbon leakage from trade in agricultural products undermining the required changes in UK land management. It should also consider the extent to which policy can reduce imported emissions embedded in higher-carbon imported agricultural products. As these matters are devolved, all nation states will need to act together to ensure the integrity of the UK market.

The assessment of policy options should build on existing work in this area e.g. the Trade and Agriculture Commission (TAC). The researchers should set out a clear set of policy options, covering both producers and consumers, these include, but are not limited to:

* Labelling and better consumer information and metrics
* Assurance/certification schemes
* Industry-wide standards and metrics
* Due diligence requirements for importers
* Carbon Border Adjustment Mechanisms

The study should take into account design and implementation issues, and highlight challenges at the high level, these could include:

* The fit with existing international treaties (WTO/GATT)/bilateral trade agreements being agreed post-Brexit
* How measures can be evaluated
* How they enable a level-playing field without ‘levelling down’, leading to a widening standards gap
* How to set standards on different products
* How to take into account wider environmental impacts, for example on hydrology, soils, biodiversity
1. **Set out an assessment of policy options to support the COP26 agreement to halt deforestation by tackling UK demand for products from deforestation (20%).**

This part of the project aims to look at:

* What are the key products from deforestation imported into the UK, including secondary products, and what are the source countries of these?
* What existing measures are there to limit the impact of deforestation, and what are their strengths and weaknesses?
* How can these be strengthened?

Researchers should assess new potential policy options that could strengthen existing legislation in this area. They should set out an assessment of the effectiveness and viability of these. Measures could include:

* Measures to increase and capture forest rent
* Direct regulation of land use
* Tackling imports by introducing ‘zero-deforestation’ pledges
* Maximising alternative sources e.g., recycling
* Promoting sustainable choices
* The role of international agreements and standards and certification schemes
1. **Analyse of source and sustainability of UK imports of key high-carbon products [optional]**

This optional task requires the project to set out the sources of imports for several key product types. Depending on the products identified under forestry above, this is likely to include:

* Meat
* Timber
* Soy
* Cocoa
* Fertiliser
* Iron and steel
* Oil and gas
* Aluminium
* Cement

And four other key product groups to be identified during the project.

The project should set out what data are available to assess the embedded emissions from these products and highlight any issues with these.

For the agricultural products a further assessment of the sustainability of these sources should be set out. These should include wider environmental impacts and impact on indigenous communities.

As set out above: Bids should prioritise producing high quality proposals for tasks (a)-(f) and only submit proposals for task (g) if it is possible to deliver this in addition to high quality deliverables for task (a)-(f). As such, credit will only be awarded for proposals for task (g) if proposals for tasks (a)-(f) are of sufficient quality.

# Methodology

The bid should set out what the project will produce for each of the tasks above and the methodology for producing these outputs. We have the following expectations with regard to methodology:

* **Tasks (a)- (f)** are broadly qualitative pieces. The bid should set out the approach to the work, which we would expect would include use of existing knowledge within your team, stakeholder engagement and expert elicitation and use of the latest literature. The bid should set out key sources of evidence that are likely to be used for each of the tasks. **Task (d)** could benefit from some quantitative assessment – the bid should set this out, if proposed.
* **Task (g)** will likely require the use of trade data and emissions data. The bid should set out what data it will use and the approach to analyse this.

In addition to setting out the project’s approach to the tasks, the bid should also set out its approach to engagement with the CCC secretariat. We would expect to have regular scheduled discussions to ensure the work is progressing as expected. The plan should also allow for two presentations to our committee or committee champions.

# Outputs Required

The outputs of the work should include:

* A final report covering all the key elements identified above
* Interim presentations to the project team and Committee members as needed.
* Spreadsheet analysis for optional task (g)

Where excel workbooks are used these should be shared, fully unlocked and linked to rest of the excel workbook deliverable above, allowing future capability to update assumptions and re-run outputs. Where alternative modelling software is used any relevant inputs such as scripts, stock and model version should be shared.

We envisage that bidders may need to make use of pre-existing knowledge to enable delivery and welcome this. However, this should not limit the transparency of approaches used in this project and all outputs should be provided in a publishable format. In the event of any limitations on sharing (e.g. in wider sharing beyond the CCC), these should be specified as part of the tender.

# Ownership and Publication

The key deliverables will be handed over to the CCC, who may choose to publish these on their website. Spreadsheets should be open access and unrestricted, to enable full QA of results and assumptions.

# Quality Assurance

This project must comply with the ‘CCC – Quality Assurance of Evidence and Analysis’ guidance[[1]](#footnote-1)  and bidders must set out their approach to quality assurance in their response to this ITT.

All research tasks and modelling must be quality assured and documented. Contractors should:

• Include a quality assurance (QA) plan that they will apply to all of the research tasks and modelling,

• Specify who will take lead responsibility for ensuring quality assurance and ensure that this responsibility rests with an individual not directly involved in the research, analysis or model development,

• Provide QA log to demonstrate the QA undertaken, including who undertook the QA and the scope, type and level of QA that has been undertaken (e.g. a log entry only stating ‘the data was checked’ will not be sufficient),

• Allow for a meeting with CCC staff to run through QA performed.

Sign-off for the quality assurance must be done by someone of sufficient seniority within the contractor organisation to be able take responsibility for the work done. Acceptance of the work by the CCC will take this into consideration. The CCC reserves the right to refuse to sign off outputs which do not meet the required standard specified in this invitation to tender.

The successful bidder will be responsible for any work supplied by sub-contractors and should therefore provide assurance that all work in the contract is undertaken in accordance with the quality assurance expectation agreed at the beginning of the project.

# Timetable

The proposed timetable for the project is set out in the following table.

|  |  |
| --- | --- |
| Date | Action |
| 23:59 22nd Feb 2022 | Deadline for response to ITT |
| 24th Feb 2022 | Interviews (if required) |
| 1st March 2022 | Kick-off meeting |
| April/May 2022 | Interim results |
| Mid-late June 2022 | All deliverables for publication alongside CCC Progress Report |

# Challenges

Applicants should set out risks and challenges that they foresee and how these be mitigated against. We envisage that project specific risks may relate to the delivery timeline, accessing appropriate stakeholder knowledge, alongside common project risks.

# Ethics

All applicants will need to identify and propose arrangements for initial scrutiny and on-going monitoring of ethical issues. The appropriate handling of ethical issues is part of the tender assessment exercise and proposals will be evaluated on this as part of the ‘addressing challenges and risks’ criterion.

We expect contractors to adhere to the following GSR Principals:

1. Sound application and conduct of social research methods and appropriate dissemination and utilisation of findings
2. Participation based on valid consent
3. Enabling participation
4. Avoidance of personal harm
5. Non-disclosure of identity and personal information

# Working Arrangements

The successful contractor will be expected to identify one named point of contract through whom all enquiries can be filtered. A CCC project manager will be assigned to the project and will be the central point of contact.

# Skills and experience

 CCC would like you to demonstrate that you have the experience and capabilities to undertake the project. Your tender response should include a summary of each proposed team members experience and capabilities.

 Contractors should propose named members of the project team, and include the tasks and responsibilities of each team member. This should be clearly linked to the work programme, indicating the grade/ seniority of staff and number of days allocated to specific tasks.

Contractors should identify the individual(s) who will be responsible for managing the project.

# Consortium Bids

In the case of a consortium tender, only one submission covering all of the partners is required but consortia are advised to make clear the proposed role that each partner will play in performing the contract as per the requirements of the technical specification. We expect the bidder to indicate who in the consortium will be the lead contact for this project, and the organisation and governance associated with the consortia.

Contractors must provide details as to how they will manage any sub-contractors and what percentage of the tendered activity (in terms of monetary value) will be sub-contracted.

If a consortium is not proposing to form a corporate entity, full details of alternative proposed arrangements should be provided. However, please note CCC reserves the right to require a successful consortium to form a single legal entity in accordance with Regulation 28 of the Public Contracts Regulations 2006.

CCC recognises that arrangements in relation to consortia may (within limits) be subject to future change. Potential Providers should therefore respond in the light of the arrangements as currently envisaged. Potential Providers are reminded that any future proposed change in relation to consortia must be notified to CCC so that it can make a further assessment by applying the selection criteria to the new information provided.

# Budget

The budget for this project is £50000 excluding VAT.

Contractors should provide a full and detailed breakdown of costs (including options where appropriate). This should include staff (and day rate) allocated to specific tasks.

Cost will be a criterion against which bids which will be assessed.

Payments will be linked to delivery of key milestones. The indicative milestones and phasing of payments can be adjusted and agreed with the contractor and Project Manager. Please advise in your tender response how this breakdown reflects your usual payment processes:

In submitting full tenders, contractors confirm in writing that the price offered will be held for a minimum of 60 calendar days from the date of submission. Any payment conditions applicable to the prime contractor must also be replicated with sub-contractors.

The Committee on Climate Change aims to pay all correctly submitted invoices as soon as possible with a target of 10 days from the date of receipt and within 30 days at the latest in line with standard terms and conditions of contract.

# Evaluation of Tenders

Contractors are invited to submit full tenders of no more than 15 pages, excluding declarations and CV’s. Tenders will be evaluated by at least two CCC staff.

CCC will select the bidder that scores highest against the criteria and weighting listed below, see the ITT for further information.

**EVALUATION CRITERIA AND SCORING METHODOLOGY**

|  |  |  |
| --- | --- | --- |
| Criterion | Description | Weighting  |
| 1 | RELEVANT EXPERIENCE / DEMONSTRATION OF CAPABILITY | 25% |
| 2 | MANAGING YOUR RELATIONSHIP WITH THE CCC | 10% |
| 3 | QUALITY ASSURING THE SERVICES YOU PROVIDE | 10% |
| 4 | MANAGEMENT STRUCTURE | 5% |
| 5 | PROJECT TEAM – SKILLS AND KNOWLEDGE | 20% |
| 6 | METHOD, ABILITY AND TECHNICAL CAPACITY  | 10% |
| 7 | UNDERSTANDING OF REQUIREMENTS | 10% |
| 8 | RISK AND CHALLENGES | 10% |
|  |  | 100% |

**Scoring Method**

Tenders will be scored against each of the criteria above, according to the extent to which they meet the requirements of the tender. The meaning of each score is outlined in the table below.

The total score will be calculated by applying the weighting set against each criterion, outlined above; the maximum number of marks possible will be 100. Should any contractor score 1 in any of the criteria, they will be excluded from the tender competition.

|  |  |
| --- | --- |
| **Score** | **Description** |
| 1 | Not Satisfactory: Proposal contains significant shortcomings and does not meet the required standard |
| 2 | Partially Satisfactory: Proposal partially meets the required standard, with one or more moderate weaknesses or gaps  |
| 3 | Satisfactory: Proposal mostly meets the required standard, with one or more minor weaknesses or gaps. |
| 4 | Good: Proposal meets the required standard, with moderate levels of assurance |
| 5 | Excellent: Proposal fully meets the required standard with high levels of assurance |

**Scoring for Pricing Evaluation**

Price will be marked using proportionate pricing. Please see the example below.

Marking proportionate to the lowest price.

Price will be scored as set out below.

There will be a maximum of e.g. 20 marks

The lowest priced bid will receive the full 20 marks, all other bids will then be marked as set out below.

Proportionate Pricing scoring example

If 20% = 20 marks

|  |  |  |
| --- | --- | --- |
| Supplier | Price | Marks |
| 1 (lowest bid) | £50,000 | 20 |
| 2 | £60,000 | 50/60 \* 20 = 16.7 |
| 3 | £75,000 | 50/75 \* 20 = 13.3 |

**Structure of Tenders**

Contractors are strongly advised to structure their tender submissions to cover each of the criteria above and supply a price schedule specifying the daily rates (ex-VAT) you will charge for each level of your staff.

**Evaluation for Interviews, if held**

CCC reserves the right to award the contract based on applicants’ written evaluation only if one candidate emerges from the evaluation stage as significantly stronger than the others.

Should interviews go ahead, CCC will shortlist the top three suppliers with the highest marks from the written proposals. Interviews are provisionally expected to be held on 24th February 2022. If this date changes, CCC will notify applicants.

The areas to be covered in the interview, and markings allocated to each topic area will be sent to the shortlisted supplier prior to interview.

Further details of interviews will be sent to successful applicants on selection.

**Feedback**

Feedback will be given in the unsuccessful letters or emails.

1. <https://www.theccc.org.uk/wp-content/uploads/2013/02/Quality-Assurance-interim-guidance.pdf> [↑](#footnote-ref-1)