**Specification for Distribution of climate action co-benefits**

Tender Reference Number: CN-1222

**Specification of Requirements**

Invitation to Tender for Distribution of climate action co-benefits

Tender Reference Number: CN-1222

Deadline for Tender Responses: 8th January 2023

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# Preamble

The Climate Change Committee (CCC) is an independent, statutory body established under the Climate Change Act 2008. Our purpose is to advise the UK and devolved governments on emissions targets and to report to Parliament on progress made in reducing greenhouse gas emissions and preparing for and adapting to the impacts of climate change.

# Background

The CCC’s Sixth Carbon Budget scenarios imply growing and enduring savings in operating costs, alongside a major investment programme. To 2030, the largest cost increases affecting households are for decarbonising buildings. Large savings are available for households in other areas, most notably in transport from the shift to electric cars. However, even in areas where costs are likely to fall relative to today, the distribution of costs and savings could create both ‘winners’ and ‘losers’ during the transition.

Achieving Net Zero in the UK will also result in significant benefits to human health from better air quality, less noise, more active travel and a shift to healthier diets. Changes to land use and farming practices that cut emissions can also improve air quality and water quality and benefit biodiversity, resilience to climate change and bring recreational benefits. Benefits could partially or fully offset costs. Adapting to a changing climate could also result in co-benefits beyond direct policy impacts.

As set out in the CCC’s Sixth Carbon Budget advice, a key challenge on the path to Net Zero is how to spread the costs and benefits of the transition across the economy: for households, businesses and the Exchequer. The CCC commissioned Frontier Economics in early 2022 to develop a set of household archetypes (using Ofgem’s archetypes as a starting point) and a distributional impacts model, to explore the costs and savings to households from decarbonising homes and transport. The archetypes developed are shown in Table 1.

This analysis will only tell part of the story, as it does not yet incorporate the co-benefits enjoyed by households alongside any direct financial costs or savings. We are specifically interested in exploring the health co-benefits of our Sixth Carbon Budget scenarios from which the 15 archetypes developed by Frontier could benefit.

Table 1 – Summary of archetype starting characteristics

|  |  |  |  |
| --- | --- | --- | --- |
| Archetype | **Income group (based on IMD income proxy)** | **Short qualitative description** | **Detailed qualitative description** |
| A1 | Low income | Low income, urban, EPC C, no car | Unemployed, younger, urban, social renter, EPC C, mid-terrace, no car |
| A2 | Low income | Low income, urban, EPC C, high mileage | Older household, urban, semi-detached, social renter, EPC C, 2 diesel cars with high mileage |
| A3 | Low income | Low income, urban, EPC E, no car | Younger household, urban, private renter, EPC E, flat, no car |
| A4 | Low income | Low income, urban, EPC C, medium mileage | Younger household, urban, social renter, mid terrace, EPC C, two petrol cars |
| A5 | Average income | Average income, urban, EPC D, high mileage | Older household, owner occupied terrace, EPC D, town, 2 diesel cars with high mileage |
| A6 | Average income | Average income, urban, EPC B, medium mileage | Social renters, EPC B, urban, detached, one car |
| A7 | Average income | Average income, urban, EPC D, medium mileage | Older household, owner occupied semi-detached, EPC D, two petrol cars, urban |
| A8 | Average income | Average income, urban, EPC C, high mileage | Urban, owner occupier, semi-detached, EPC C, one car |
| A9 | Average to high income | Average to high income, urban, EPC D, low mileage | Urban, older, owner occupier, detached, EPC D, one car |
| A10 | Average to high income | Average to high income, rural, electric heating, high mileage | Older household, rural social renter detached house, EPC E, electric heating, one car, high mileage |
| A11 | Average to high income | Average to high income, rural, oil heating, high mileage | Older household, detached house, EPC E, oil heating, one car, high mileage |
| A12 | Average to high income | Average to high income, urban, EPC C, low mileage | Older household, town owner occupied detached, EPC C, 1 petrol cars with low mileage |
| A13 | Average to high income | Average to high income, urban, EPC C, no car | Younger household, owner occupier, flat, EPC C, no car |
| A14 | Average to high income | Average to high income, urban, EPC D, medium mileage | Urban, mid-terrace, two cars, EPC D, medium mileage |
| A15 | Average to high income | Average to high income, urban, EPC D, medium mileage | Older household, owner occupier, EPC D, one car, low mileage |

# Aims and Objectives

This project encompasses essential and desirable elements:

1. The essential elements of this project aim to examine, and as far as possible quantify, the health co-benefits faced by household archetypes from achieving the CCC’s Sixth Carbon Budget scenarios. We are also interested in knock-on effects of these co-benefits, to the Exchequer and more broadly – for example, savings to the NHS from reduced air pollution or sustainable diets.
2. Expanding the scope to include wider co-benefits (e.g. environmental benefits, increased productivity from lower congestion) would be desirable but is subject to agreement on additional budget and timings (see section 13).
3. **Essential elements**

The CCC would like to work collaboratively with the successful contractor to determine the appropriate methodology for undertaking this work. We envisage that it could include the following tasks:

1. **Producing a long-list of health co-benefits and selecting which to include in the analysis based on a clear set of criteria:**
	* The CCC have qualitatively assessed co-benefits of climate action in our Net Zero[[1]](#footnote-2) and Sixth Carbon Budget[[2]](#footnote-3) reports, including health co-benefits specifically.[[3]](#footnote-4) The co-benefits identified in that work should be part of the initial long-list of co-benefits.
	* The criteria should be informed by the abatement occurring in our Sixth Carbon Budget scenarios across the energy use sectors as a minimum.
2. **Linking co-benefits to particular characteristics of households:**
	* This should include flagged characteristics of our archetypes (e.g. whether they live in rural/urban areas, income, household size, age, car ownership) as a minimum.
	* We would like the contractor to propose additional characteristics that would determine health co-benefits for particular households which are not covered in our existing archetypes (e.g. household meat consumption, geographic location) and a clear methodology for tying these to our existing archetypes (e.g. through data-matching or allocation rules).
3. **Quantifying health co-benefits for the CCC’s Sixth Carbon Budget pathways and baseline:**
	* Set out whether it is possible to quantify each of the health co-benefits to household archetypes and the best way to do this – whether they should be monetised (e.g. through standard techniques for valuing costs and benefits as set out in the Government’s Green Book guidance[[4]](#footnote-5)), or alternative metrics should be used (e.g. mortality reduction or Well-Being-Year[[5]](#footnote-6)). Limitations of approaches used, and uncertainty in assumptions, should be made clear.
	* Link impacts to households to second order effects - translating household impacts into subsequent effects for the Exchequer (e.g. savings to the NHS from lower mortality, reduced tax take from lower congestion).
	* Quantify co-benefits to household archetypes and second order effects where agreement is reached between the CCC and contractors that co-benefits should be quantified.
	* Research undertaken externally of mortality reduction from two of the CCC’s scenarios (Balanced Pathway and Widespread Engagement), due to be published shortly in the Lancet Planetary Health, could be used as a starting point for analysis on health co-benefits. Research undertaken by Ricardo for the CCC in 2013[[6]](#footnote-7) (which pre-dates our Sixth Carbon Budget pathways) can inform the approach to quantifying other co-benefits.
4. **Desirable elements**

Beyond health co-benefits, the project could expand to quantify other co-benefits to households and their second-order effects. These other dimensions should be defined between the CCC and contractors, but could include:

* Wider economic impacts such as gained productivity from lower congestion or improved access to public transport infrastructure that can support the levelling up agenda.
* Co-benefits arising from the decarbonisation of agriculture and land use, nature-based solutions and climate change adaptation more broadly than air quality. This could include improvements from greater biodiversity and water quality. It could also consider how these benefits might be distributed across households in different geographical locations.

# Methodology

The main outputs of this project are a report summarising the approach to assessing co-benefits, key conclusions and a model including all of the analysis in tasks i-iii.

Analysis should be undertaken through a combination of segmenting household data, reviewing existing literature and research, sourcing and analysing other data relevant to addressing the questions outlined in the previous section, engaging with a range of external stakeholders (with interest/expertise on the issues at hand and/or who are undertaking related analysis). It is expected to be a collaborative process with the CCC secretariat.

The model should be constructed on Excel using these inputs and detailed documentation for it produced alongside it. This should be constructed in a flexible way, to allow the user to replace and update key pathway assumptions and examine impacts on co-benefits of making those changes.

The CCC can provide access to its Sixth Carbon Budget scenarios, spreadsheets including previous analysis undertaken for the CCC by Ricardo and estimates of mortality reductions from two of our pathways.

# Outputs Required

We expect the successful contractor to deliver both the essential and desirable elements set out in section 3. The outputs required from the project include:

* **Report**. Summarising the research methodology, outputs and findings including:
	+ Rationale for the choice of co-benefits to include in the analysis.
	+ Approach to quantifying co-benefits.
	+ Approach to linking co-benefits to archetypes.
	+ Findings and conclusions on the co-benefits of CCC pathways.
* **Model.** Including datasets and references, which could be eventually published and made available for others to use. The CCC would like a relatively flexible spreadsheet model which could be amended in future to test other pathways. This should include:
	+ A spreadsheet that links archetypes to specific household characteristics.
	+ A spreadsheet that quantifies the co-benefits to household and second order effects in each scenario.
* Presentation of the interim and final results from the project to members of the CCC Secretariat, Committee members and other interested parties for the duration of the project.

# Ownership and Publication

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

# Quality Assurance

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

* Include a quality assurance (QA) plan that they will apply to the modelling.
* Specify who will take lead responsibility for ensuring quality assurance. This responsibility should rest with an individual not directly involved in the research or analysis.
* Provide a QA log to demonstrate the QA undertaken, which must identify who undertook the QA and the scope, type, and level of QA that has been undertaken.

Sign-off for the quality assurance must be done by someone of sufficient seniority within the contractor organisation to be able to 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 tenderer will be responsible for any work supplied by sub-contractors and should therefore provide assurance that all work in the contact is undertaken in accordance with the quality assurance expectation agreed at the beginning of the project.

The CCC expects that:

* Analysis must be delivered in a simple, transparent Excel spreadsheet or set of spreadsheets, where key assumptions (agreed with the CCC) are clearly stated. All assumptions and figures should be adequately referenced, and include any supporting workings. Any such spreadsheets will be the property of the CCC.
* Existing analysis and published research should be reviewed and considered in developing the scenarios and approaches to be analysed within this assignment.

# Timetable

The proposed timetable for developing the **essential elements** of the project is set out in the following table:

|  |  |
| --- | --- |
| Date | **Action/deliverable** |
| w/c 16 January | Kick off meeting |
| w/c 30 January | Workshop 1 – Co-benefits long list and criteria  |
| w/c 6 February | Workshop 2 – Key modelling assumptions |
| w/c 27 February | Delivery of model – version 1 |
| w/c 27 February | Delivery of report – version 1  |
| w/c 17 February-24 March | Present approach to CCC Committee |
| End of April | Delivery of final model and report (essential elements) |

The CCC is willing to be flexible with timelines and will consider alternative timetable proposals.

Bids should incorporate **desirable elements** of the project and set out the timings for delivering these if they differ to those for delivering essential elements.

In addition to the formal reporting points, the CCC would expect to have regular scheduled discussions (weekly meetings or calls) to ensure the work is progressing as expected.

# Challenges

Tenderers should highlight any challenges or risks that they envisage in delivering all the outputs of the project, whether in terms of scope of the work, resources, or timelines. Alternative suggestions will be considered if the risks are such that the project is unlikely to be able to be delivered in its current form.

# 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.

The CCC would expect the choice of co-benefits and methodological approaches and underlying assumptions to be developed through a collaborative process and as such expect regular contact and check-ins with the contractor. The CCC will provide data to align modelling with outputs from the Sixth Carbon Budget pathways.

# Skills and experience

The 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 member’s 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 meeting the **essential elements** of this project is £40,000 to £52,000 excluding VAT. We ask that bidders submit an additional budget estimate for the **desirable elements**, which should be agreed with the CCC in a second stage.

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. In doing this, we will assess the **combined budgets** for developing both the essential and desirable elements of the project.

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 20 pages, excluding declarations and CV’s. Tenders will be evaluated by at least three CCC staff.

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

Both the essential and desirable elements of the project will be assessed under the *method, ability, and technical capacity* (6) criterion.

**EVALUATION CRITERIA AND SCORING METHODOLOGY**

|  |  |  |
| --- | --- | --- |
| Criterion | Description | Weighting |
| 1 | RELEVANT EXPERIENCE / DEMONSTRATION OF CABABILITY | 15% |
| 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 | 10% |
| 6 | METHOD, ABILITY AND TECHNICAL CAPACITY – 10% | 30% |
| 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. We will consider the **combined budgets** for developing both the essential and desirable elements of the project. 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 w/c 9 January, on Thursday 12th and Friday 13th. 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. CCC (2019) Net Zero – The UK’s contribution to stopping global warming: https://www.theccc.org.uk/publication/net-zero-the-uks-contribution-to-stopping-global-warming/ [↑](#footnote-ref-2)
2. CCC (2020) Sixth Carbon Budget: The UK’s path to Net Zero: https://www.theccc.org.uk/publication/sixth-carbon-budget/ [↑](#footnote-ref-3)
3. Institute of Health Equity (2020) Sustainable Health Equity: Achieving a Net-Zero UK https://www.theccc.org.uk/publication/ucl-sustainable-health-equity-achieving-a-net-zero-uk/ [↑](#footnote-ref-4)
4. HM Treasury (2022) The Green Book, https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent/the-green-book-2020#valuation-of-costs-and-benefits [↑](#footnote-ref-5)
5. World Happiness Report (2021) Living long and living well: The WELLBY approach <https://worldhappiness.report/ed/2021/living-long-and-living-well-the-wellby-approach/> [↑](#footnote-ref-6)
6. Ricardo AEA (2013) Review of the impacts of carbon budget measures on human health and the environment, https://www.theccc.org.uk/publication/review-of-the-impacts-of-carbon-budget-measures-on-human-health-and-the-environment-by-ricardo-aea/ [↑](#footnote-ref-7)