Climate Transformation Fund: Selection criteria & project selection process

CTF PROGRESS REPORT

SEE SUPPORTED PROJECTS

SELECTION CRITERIA & PROJECT SELECTION PROCESS

We use a comprehensive evaluation framework structured around the pillars of the fund. While each pillar has unique criteria tailored to its specific focus, they share common themes such as effectiveness, additionality, and co-benefits. Below is a summary of our evaluation framework, in our assessments these criteria are further operationalised.

Pillar 1: Milkywire's CDR selection criteria

Integrity

- **Safety and legal compliance:** Does the method bring any material risks for people and nature? Is the company on the right track in obtaining necessary permits and complying with regulations?
- **MRV**: How is the company working to ensure that the carbon removed can be measured and verified in a secure and auditable way?
- **Just implementation and social co-benefits**: Where and how are the CDR activities being done? How are the local population being involved? Have you mapped out/complied with necessary legal procedures when it comes to citizens' engagement? Are there ways for marginalized and underserved communities to benefit?
- **Environmental co-benefits:** Are there any other positive environmental or social benefits for society at large, for example contributing to enhanced biodiversity?

Theoretical potential

- **Durability:** For how long is the CO_2 stored away? We only consider solutions with a minimum multi-centennial durability, and prioritize projects that demonstrate stable and secure storage methods, ensuring that CO2 remains sequestered without significant risk of leakage or reversal.
- **Effectiveness:** Does the activity have a net cooling effect from a system perspective taking secondary effects into account? Projects are evaluated for their overall climate impact, considering potential indirect effects like albedo changes or shifts in local climate patterns.
- **Resource use:** How much energy, land, minerals, and other resources is the method using? Our assessment includes the sustainability and the environmental footprint of the resources

- **Long-term cost per tonne:** We do not focus on cost today but instead seek methods that have pathways to low cost at scale, reducing as technology and processes mature.
- **Chance potential will be fulfilled:** We estimate maturity and technological risk (the likelihood of achieving the stated potential), by analyzing the track record of similar technologies, the company's R&D capabilities, and the industry's overall trajectory.

Effect of our support

- **Additionality:** Would the project happen without sales of CDR credits? We aim to fund projects where our investment directly enables additional carbon removal activities that would not occur otherwise.
- **Need of our support:** Is our funds needed or is the demand higher than the supply for the CDR company? We prioritize projects where our funding can make a significant difference, rather than those with an abundance of resources.
- **Other positive effects of our support:** Does the solution broaden the ecosystem of CDR solutions or significantly increase scientific knowledge of the method used? What are the expected social and environmental co-benefits from project implementation?
- **Chance of tonnes purchased delivered:** Estimates project and supplier risk. We assess the reliability and track record of the suppliers, as well as the project's execution plan, to judge the likelihood of successful delivery.

Pillar 2: Emission reduction / decarbonization projects selection criteria

- **Effectiveness:** Does the organization have a proven ability to deliver measurable emissions reductions or related goals? We look for a strong history of impactful and efficient project execution.
- **Catalytic effect:** Could the project drive long-term systemic changes, such as policy advancements, technology shifts, or market transformations? Projects with the possibility of very high impact are prioritized.
- **Potential impact in tonnes of CO_2 avoided:** What is the size of the potential emissions reductions? The possibility to calculate this differs between projects.
- **Chance of success:** What is the likelihood of the project meeting its objectives? Is the theory of change clear and probable? This is evaluated based on context, difficulty of the objective, available resources, operational capacity, and the organization’s expertise.
- **Expected impact:** Considering the chance of success, what is the likely quantifiable impact of the project? We aim to support projects with significant and realistic climate outcomes.
- **The need for funding / Additionality:** Is external funding critical to the project’s success, or could it proceed without support?
- **Co-benefits:** Are there additional positive effects, such as community development, biodiversity, conservation, health, air quality, and water benefits, or increasing the scientific knowledge about a method?
- **Certainty of the project happening:** Are the project plans, timelines, and resources robust enough to ensure execution? Clear commitments and feasibility assessments are crucial to minimizing risks.

- **Effectiveness:** Does the project demonstrate a strong track record of successfully implementing similar initiatives? Projects are assessed on their ability to deliver tangible results and meet objectives efficiently.
- **Social co-benefits and safeguards:** Does the project create equitable opportunities for local communities, including poverty reduction, livelihood improvement, and participatory decision-making? Safeguards should ensure that communities are not negatively impacted and benefit from the project.
- **Environmental co-benefits:** Does the project generate additional ecological benefits such as improved biodiversity, healthier ecosystems, or enhanced water retention? Projects with multi-faceted environmental impacts are prioritized.
- **Land rights:** Are land ownership and usage rights clearly defined and secure? Projects must have resolved tenure issues to ensure long-term sustainability and prevent disputes.
- **Catalytic effect:** Could the project inspire broader restoration or protection initiatives, or serve as a replicable model? We assess the potential for the project to influence larger systems or trigger additional funding and support.
- **The need for funding / Additionality:** Would the project proceed without CTF support, or does funding enable critical milestones or scaling? We prioritize projects that are highly dependent on external funding to succeed.
- **Certainty of the project happening:** Are governance structures, implementation plans, and resources sufficient to ensure the project will be executed successfully? A clear roadmap and capable leadership are essential.
- **Expected direct impact in numbers:** What is the quantifiable outcome of the project? Metrics may include hectares restored, trees planted, or CO_2 sequestered, with clearly documented methodologies.

Project selection process

Our project selection process is designed to ensure fairness, transparency, and quality. Here's a breakdown of the process:

Open call for proposals

To ensure fairness and transparency, we follow a structured and competitive process for sourcing new initiatives to be part of the fund. Anyone can submit a concept note. We received over 1,000 proposals in our 2024 open call across the fund’s three pillars.

Assessment and short listing

The submitted concept notes are first reviewed by the Fund Managers. The most promising initiatives are invited to elaborate on their concept notes with a project proposal. These proposals are then pre-assessed by the Fund Managers. A shortlist of promising projects are invited for the interview and fully assessed and scored against our evaluation framework. We utilise an extensive scoring matrix, which breaks down criteria into numerous questions to ensure a comprehensive project evaluation. This two-tiered approach enables us to get a broad overview of projects available to fund, and do deep evaluations on the most promising ones.

project. The assessments and scoring is then discussed in a meeting with the Advisory Group.

Final selection

The final selection combines the scores with our aim to create a diverse portfolio in terms of geographical coverage and methodologies employed. Milkywire oversees the curation of the fund, and makes a recommendation to the WRLD Foundation which receives donations from our partners and pays out funds to selected organisations.

Due diligence

Before we sign contracts with selected organisations, WRLD Foundation conducts a standard due diligence screening. This includes for example financial crime related screenings of the non-profit/company and its key staff, an assessment of the internal control environment of the organisation and its legal status.