

Oxford Crowdfunding for Adaptation Initiative

Tapping into Socially Responsible Corporate Air Travel

Brochure

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1. Introduction

BACKGROUND

This Brochure gives an overview of a project started by [Oxford Climate Policy](#), an Oxford-based not for profit think tank,² in May 2016, to design and, funding permitting, operationalise a crowdfunding initiative – ‘Oxford Crowdfunding for Adaptation’ (OCAD) Initiative – for corporate air-travel related donations to the Adaptation Fund.

The idea of levying a small charge on air travel to support adaptation efforts in developing countries has been around for over a decade, but it failed to take off as an [international instrument](#), which was why a proposal was launched in 2011 to transfer the idea to the national level (‘[Solidarity Levies on Air Travel](#)’). This, in turn, was followed in 2013 by an award-winning ecbi study on ‘[Crowdfunding for Climate Change](#)’. In the meantime (December 2012), the Adaptation Fund (AF) introduced a ‘[Donate](#)’ link on its website, implemented in partnership with the UN Foundation, to receive crowdfunding donations. Given this and the fact that the AF was the intended recipient of the original [International Air Passenger Adaptation Levy](#) (IAPAL), it did not take a great leap of imagination to arrive at the idea of using this crowdfunding tool to solicit voluntary contributions from air passengers.

SUMMARY OF THE CONCEPT

Following some preliminary research (summarized below), the initiative was targeted at corporate air travel, in particular on companies that have, or may be willing to include, climate change as part of their Corporate Social Responsibility (CSR) portfolio, such as companies that offset the emissions caused by their corporate travel.

The initiative is to encourage these target corporates to ***donate 1 percent of their air travel costs to the Adaptation Fund*** directly through its [existing individual donation facility](#). It is estimated that a participation of 1 percent of global corporate air travel would yield USD 100 million annually.

Currently, the plan is to design a management platform to operationalise and market the initiative in partnership with other institutions and organisations (in particular, the University of Oxford)

² Limited by guarantee and incorporated in England (Reg. No 5416732).

2. Flyer

Effective CSR for Corporate Air Travel

Funding climate change adaptation for the poorest and most vulnerable

Many businesses are already supporting efforts to combat climate change as a part of their corporate social responsibility portfolio, often through the purchase of emission offsets for air travel. As the aviation industry is now implementing its own [emissions reductions programme](#), individual corporate offsets are overlapping with airlines' own efforts. Facing a diminished impact, corporations may wish to look elsewhere for the most effective way to demonstrate leadership as a socially responsible and climate-smart business.

Enter: the [Adaptation Fund](#)

The Adaptation Fund is a specialized international retail fund connecting global funding with local difference-makers. It provides funding for projects that protect the livelihoods of the world's poorest and most vulnerable communities against the adverse impacts of climate change.

Funding community projects allows businesses to demonstrate their social responsibility by fostering entrepreneurship and building climate change resilience where it counts: on the ground in the poorest and most vulnerable communities. The Fund is

- **Effective.** Having allocated over US\$358 million to projects with 3.67 million beneficiaries, it has been independently evaluated as "an effective institution capable of achieving its ambitious objective ... good value for money."
- **Efficient.** Having its own [online crowdfunding engine](#) and tried and tested selection processes for quality projects to be funded, the Adaptation Fund provides a very simple 'one-click' solution for proven CSR climate action.

What could be achieved?

A contribution of one per cent of corporate air travel expenses – which corresponds roughly to the cost of an offsetting scheme – by one per cent of corporate travellers would amount to over US\$100 million per year – more than double doubling the Adaptation Fund's current annual income.

As we build a community of first movers for an innovative finance model, let us know how we can help you share your success with other businesses and with the public. Together we can support adaptation projects that are protecting livelihoods and fostering community solutions to otherwise devastating local climate risks.

Proven Local Impact: Building Senegalese Flood Resilience

Encroaching floodwaters were salting rice fields on the coast of Senegal, destroying agricultural livelihoods. Using \$8.6 million in funding, local implementers constructed anti-salt dikes, an urban seawall, and underwater berms, reclaiming 1,500 ha of land and protecting 12,000 livelihoods.

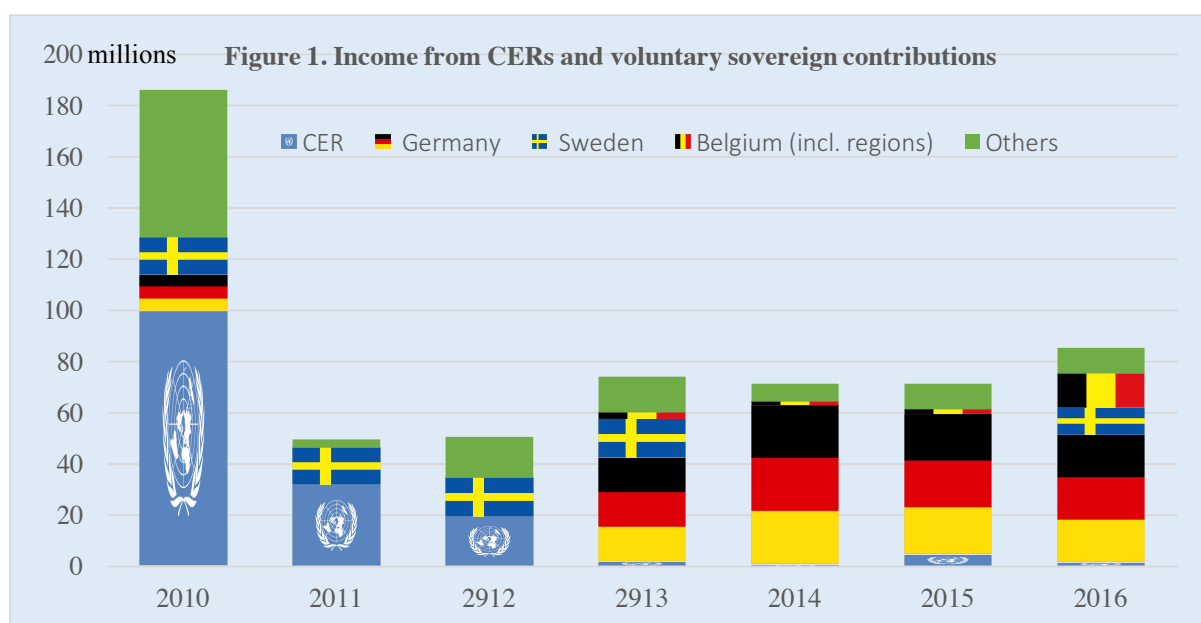
3. Adaptation Fund Income Sources

Decision 10/CP.7 (Funding under the Kyoto Protocol) of the [Marrakech Accords](#) (November 2001) establishes the Adaptations Fund and stipulates that it “shall be financed from the share of proceeds on the clean development mechanism [CDM] project activities and other sources of funding” and invites developed country (‘Annex I’) Parties to the Kyoto Protocol “to provide funding, which will be additional to the share of proceeds on clean development mechanism project activities”.

The AF Board began its work in March 2008 and at its fourth meeting (December 2008) decided to begin selling Certified Emission Reductions (CERs) received from CDM projects with an initial batch of 600 kt CERs being sold in May 2009 at an average price of EUR 12.17 per ton (see [AFB/B.6/14](#)).

Unfortunately, between 2008 and 2013 the CER collapsed from EUR 20 to EUR 0.4, due to EU ETS regulatory restrictions and a general oversupply (see [CERs and ERUs market as from 2013](#)) and has not recovered since.

Moreover, it is unlikely to recover before 2020, when the new market mechanism under the Paris Agreement is meant to become operational, and even then it is very difficult if not impossible to make any predictions of how much the share of proceeds from that mechanism agreed in Paris would yield (and, for that matter whether it would be allocated to the AF).³



Consequently,⁴ the income from the share of CDM proceeds has dwindled from USD 100 million in 2010 to around USD 1.5 million in 2016. Income supplementing the CER revenue, such as the voluntary additional funding by KP Parties (see Figure 1), referred to in the Marrakech Accords has thus become essential, and it will remain to be so for the foreseeable future. At the same time, it is likely that with the withdrawal of multilateral climate funding by the new US administration, voluntary sovereign donations may also get diverted to make up for the US in the GCF.

³ According to a [recent Study](#) by the NewClimate Institute, the “potential adaptation finance from international crediting based on Article 6.4 lies between 0 to greater than 20 million US\$ annually.”[p.8] Note that even if it is at the higher end, it would not suffice as sole source of funding for the AF.

⁴ This was primarily a price effect: the rolling average of CERs received by the AF over the time period has dropped only by around 25 percent.

In 2009, the AF received a small contribution from students of a German High School, followed by one from the World Development Movement (a British NGO) in Cancun in 2010. The AF Board wanted the trustee to receive such small private donations. However, the acceptance of individual small donations increases the transaction costs, as the trustee has requirements related to conducting due diligence on the donors of such contributions. For this reason, the AF Board considered ways to make it simpler to receive such contributions, and decided in July 2011 to:

- a) Pursue the option to enter into a partnership with a third party (UN organization, foundation, NGO, etc.) that would raise funds through on-line donations on behalf of the Adaptation Fund. The Trustee would then receive funds into the trust fund as a donation from that entity;
- b) Request the Board Chair to formally invite the UN Foundation to enter into such a partnership with the Board, and to initiate discussions to that effect. [AF Board Decision B.14-15/2]

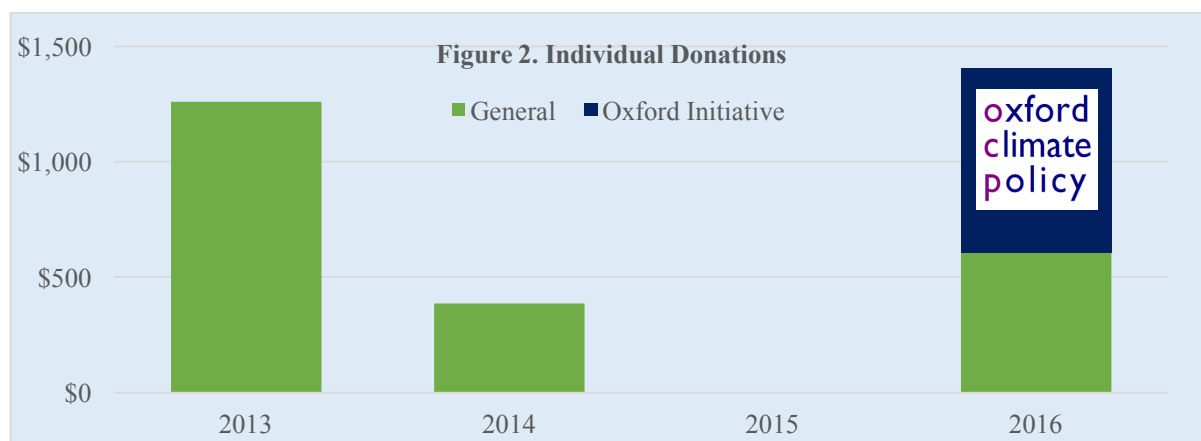
In December 2011, the Board requested the manager of its Secretariat not to contemplate or consider, but “to undertake fundraising activities with donors in consultation with the Board Chair”. ([Decision B.16/24](#))

In June 2012, the AF Board requested the Secretariat to “proceed with all necessary arrangements and efforts to reach out to foundations and philanthropic organizations, ... in order to raise funds”. In November, the Board established a partnership with the UN Foundation; a ‘Donate’ button on the AF and the UNF websites was introduced in December, when the Board also established a Board task force to work with the secretariat on outreach, strategy, and other efforts to achieve an interim US\$100 million fundraising target by the end of 2013. ([Decision B.19/29](#))

A year later, the task force was renamed “resource mobilization task force in order to convey the idea of a continuous activity” and the Secretariat was requested to “prepare a summary document of the fundraising strategy” ([Decision B.24/28](#)), which [was published in October 2014](#). Its vision and goal was

“to create ongoing, sustainable and predictable funding streams for the Adaptation Fund through robust and consistent operations. [...] Proposed funding streams to be considered included contributor governments and, to a lesser degree, exploring potential private sector foundation grants. Revenue streams from private sector involvement could be a new direction for the Fund, and partnerships with the private sector could serve well to raise the Fund’s visibility and status. Individual public contributions were not a critical component in this strategy, as the potential amounts that could be raised this way are appreciated but might require more resources.” [p. 3]

The current Resource Mobilization Strategy of the Fund also indicates that “individual public contributions were not a critical component in this strategy.”[*ibid.*] And accordingly it is not all too surprising that the revenue from this source has been rather modest (see Figure 2).



4. The Target Sector: Market Analysis

WHY FOCUS ON SOCIALLY RESPONSIBLE CORPORATE AIR TRAVEL

The debate on how to deal with the climate change effects of the aviation sector is still focused almost exclusively on mitigation, and even that with limited success. It is clear that voluntary offsetting by individual passengers will not deliver the required reductions – action by the aviation industry is necessary to bring the sector’s emissions under control.

There are encouraging signs that this is happening. For example, since 2012, flights from, to, and within the European Economic Area are covered under the EU ETS. More recently, on 6 October 2016, ICAO [announced](#) the adoption of a Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) industry offsetting scheme (see Box 1) which, if properly implemented, “should enable carbon neutral growth over time”.⁵

Box 1. ICAO Carbon Offsetting and Reduction Scheme for International Aviation Scheme

Under CORSIA, carbon emissions of international flights above 2020 levels are to be compensated by the carriers through carbon offsets from 2021 onwards. CORSIA is divided into three phases. In the initial two phases (2021-2026), countries can voluntarily opt-in. After 2026, the scheme will be mandatory for most countries, with some exceptions (for example LDCs and small island developing States).

Key questions on the environmental integrity of CORSIA will include the provenance of the offsets, and how they relate to other offsetting schemes, such as the new market-based mechanisms defined in Article 6 of the Paris Agreement.

Source: EC Fact Sheet: [MEMO: 39th Assembly of the International Civil Aviation Organisation](#)

With the introduction of this international industry-wide offsetting scheme, individual flight offsets by passengers will become less important.⁶ However, the 2020-level emissions that are not offset under the CORSIA scheme will still cause climate change and impose the need to adapt, particularly on the poorest and most vulnerable. This is why individual/corporate offsetting should, at least in part, give way to passenger/ corporate solidarity through socially responsible adaptation crowdfunding – even more so because passengers/ companies who can afford to buy airline tickets will generally be sufficiently well-off to be capable to act on their responsibilities, and to show solidarity with those who are least capable and responsible for the problem.

What could be the scale of such voluntary adaptation air passenger crowdfunding? As there is, to our knowledge, no precedent, the only way to gauge its revenue potential is by looking at similar related instruments, the obvious candidate being voluntary flight offsetting which, for reasons mentioned above, should be replaced with voluntary solidarity contributions.

⁵ 27. European Commission (2016). [MEMO: 39th Assembly of the International Civil Aviation Organisation](#). 7 October.

⁶ In July 2011, a spokeswoman for the UK airline British Airways was [reported](#) as saying that UK passengers could be paying for the environmental impact of their flight three times: through voluntary offsets, the EU ETS, and the UK’s Air Passenger Duty (APD). Echoing this, a spokesman for the International Air Transport Association, which manages an offsetting programme for numerous airlines, said there is evidence that passengers may be more reluctant to voluntarily offset when they are already being hit with an environmental tax, which is what the UK government has, in the past, presented the APD as being.

Table 1. Busiest long distance routes (July 2015 to June 2016)

Route	Scheduled Seats scheduled ^(a) [million]	Reference fare [EUR] ^(b)	1% of reference fare [EUR]	Offset cost ^(c) [EUR]
London LHR – New York JFK	1.96	1333	13.33	6.84
Dubai DXB – London LHR	1.72	857	8.57	6.78
Bangkok BKK – Dubai DXB	1.11	657	6.57	6
London LHR – Los Angeles LAX	0.97	1223	12.23	11.24
Singapore SIN – Sydney SYD	0.96	390	3.90	7.82
Honolulu HNL – Tokyo NRT	0.96	543	5.43	7.63
London LHR – Hong Kong HKG	0.91	856	8.56	12.55
New York JFK – Paris CDG	0.87	790	7.90	7.22
Melbourne MEL – Singapore SIN	0.84	291	2.91	7.49
<i>Average:</i>			7.71	8.17

^(a) Source: [Diio Mi](#), number of seats sold from 1st of July 2015 to 30th of June 2016

^(b) Source: www.skyscanner.com, accessed on 31 August 2016.

^(c) Source: Climate Care carbon calculator. <http://www.climatecare.org/home.aspx>

But is it reasonable to expect passengers who would be willing to offset switch to such a solidarity contribution. We believe that it is reasonable, because the cost of the proposed solidarity contribution is on average cheaper than the cost of offsetting, as illustrated in Table 1., where one-way offsetting costs for the busiest long-haul routes are compared with a 1 percent contribution of one-way ‘reference’ fare,⁷ based on 5 cheapest of economy class tickets offered for sale 1, 4, and 8 weeks before departure date.⁷

MARKET SIZE AND POTENTIAL REVENUE

A 2011 ENDS Report (‘[Airlines struggle to get carbon offsetters to come onboard](#)’) surveying European airlines concludes that ‘most airlines achieve commercial passenger offsetting rates of below 1%’, and interestingly suggests that ‘take-up rates appear to be most determined by whether airlines offer carbon offsets at the point of ticket purchase’.⁸

It also quotes the managing director of one of the world’s largest offset providers as saying that most offsetting is done by businesses covering their corporate travel, and that – unlike in the case of leisure passengers – ‘here the appetite not only remains unabated, but is growing’, with more than half of their corporate clients using offsets to cover their travel emissions. If this is indeed a general trend, then a two-pronged approach to harnessing this potential revenue source could be in order by not only focusing

⁷ Note that these reference price figures are quite conservative, in the sense of overstating the normal ticket price: The cheapest one-way fare for travel on the day of purchase from London to New York EUR 1482, while a return leg is added over the weekend it reduces the total (i.e. two-way) cost to EUR 828.

⁸ The ENDS Report also mentions a July 2007, UK House of Commons Environmental Audit Select Committee report dealing with passenger offsetting and urging the UK government to make it compulsory for airlines to provide the option to offset at the point of purchase, and recommending to do it on an ‘opt out’ basis.

on airline ticketing sites, but also directly at the corporate consumer, such as large corporations or business federations, as part of their CSR⁹ schemes.

But what does all this tell us about the revenue potential of air passenger adaptation crowdfunding? According to Annual Global Report and Forecast of Global Business Travel Association (see Table 2), the global size of the corporate air travel market in 2014 was USD 1.2 trillion, projected to grow rapidly over the coming years. Assuming, conservatively, that only 1 in 10 of the corporate air passengers which offset their emissions switch to the proposed solidarity contribution (at the suggested 1 percent

Table 2. Regional Statistics for Corporate Air Travel

	2014 [US\$ bn]	<i>Projected annual growth rate</i>	
Asia Pacific	\$459	7.7%	2015-19
North America (US: 90%)	\$318	7.7%	2015-19
Western Europe	\$271	4.8%	2015
Latin America	\$52	5.9%	2015-19
Rest of the world	\$77		
Total	\$1,177		

Source: [Annual Global Report and Forecast of Global Business Travel Association](#)

of ticket cost), the *scheme would raise over USD 100 million annually*, comparing favourably with the USD 75 million pledged to the [Adaptation Fund in Paris](#).

This conservative estimate of what could be the revenue from corporate sector does not include any additional revenue from non-corporate sources, and we believe that it should be feasible if the scheme is properly marketed.

⁹ Corporate Social Responsibility

4. The Mechanics

The mechanics of the proposed scheme, that is the manner in which it is eventually meant to operate, is still to be determined, apart from the way the donations are to be collected, which is through the existing donation scheme operated by the UN Foundation.

DONATIONS

It is a recognised fact that charitable crowdfunding works best if the individuals providing the funds – be that as donations or, as in the case of [KIVA](#) (a web-based crowdfunding platform) as zero-interest loans – to micro projects of their choosing. This is why we felt it to be unlikely that the AF would ever attract individual charitable donations at scale.¹⁰

However, we believe that in the context of the client base targeted in the Oxford Initiative, that is to say corporate administrators dealing with corporate travel and/or corporate social responsibility portfolios, the situation is quite the reverse. What counts to them is transaction efficiency and effectiveness of outcomes. And the AF can deliver on both, with its existing instruments.¹¹

There is therefore no need, at least in the initial phase of the Initiative, for any action on the part of the AF Secretariat with regards to collecting the donations, apart from possibly requesting the UN foundations to customize their automatic replies to donations to the AF to fit the needs of corporate donors.

MARKETING

Apart from the choice of target client base, by far the most important factor for the success of the Initiative will be to develop and implement an appropriate marketing strategy. It stands to reason that a dedicated web-based platform which companies can use to list their participation could be a useful tool.

As a first step, we have put together a one-page flyer to introduce the Initiative initially to potential ‘champions’ to help us in operationalizing the idea as well as provide us with the necessary financial support, as required. The immediate idea is to form an Expert Advisory Group to take this process forward.

It would be very useful if the OCAD Initiative could get some endorsement by the AF Board, and support from the Secretariat to take this forward.

¹⁰ This may also be the reason why voluntary offsetting through software on ticketing sights has not proven to be particularly attractive for leisure travellers.

¹¹ Note, in particular, that it is simpler to donate a percentage of incurred travel costs annually to the AF than to purchase offsets, even if they are calculated automatically by software on ticketing sights.