

Editorial

Dear Reader,

The uneven geographical distribution of CDM projects is a source of repeated criticism. At last year's Climate Change Conference in Copenhagen, one of the things agreed was the creation of a credit scheme for host countries with less than 10 registered CDM projects, the aim being to promote under-represented countries and regions. Sceptics fear, however, that the scheme will never be used because the earliest it could enter into force would be mid-2011: should the CDM not continue beyond the end of 2012, it would hardly make sense to agree loans for an 18-month period.

In this issue of JIKO Info we take another look at under-represented Africa and, among other things, at what measures would most benefit countries least involved in the CDM so far. We also spotlight a financing and technology agency, report on trends in PoAs in Africa, and round off with an interview with a DNA representative in the Democratic Republic of Congo.

On behalf of the editorial team, I wish you an interesting and informative read.

Christof Arens

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JIKO Analysis

Barriers and Opportunities in Promoting the CDM in Sub-Saharan Africa

by **Katrin Heeren and Silke Karcher, German Environment Ministry**

The world's least developed countries (LDCs) are most vulnerable to climate change and have contributed least to it. And they have been under-represented in the global carbon market to date: although it is home to the greatest number of LDCs (33), less than three percent of all CDM projects are implemented in Africa. This figure compares with 15 percent in Asia-Pacific and one in Latin America-Caribbean. How can African countries benefit more from the CDM?

The vast majority of projects continue to be implemented in the emerging economies China, India, Mexico and Brazil. They are responsible for 75 percent of CDM projects and for 80 percent of the CDM certificates generated globally.

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JIKO Interview

„Greater Focus on Sustainability“

Five questions for Tosi Mpanu-Mpanu, Director, Congo DNA

JIKO Info: Although Africa's CDM project pipeline has doubled in the past two years, only 45 of the projects registered worldwide have been implemented there. Africa's share of projects in the global market thus remains virtually unchanged at two percent. Where does Africa stand today? What are the main barriers in CDM project development?

Tosi Mpanu-Mpanu: Perceptions of the project cycle and African actors' knowledge regarding CDM potential have improved significantly, particularly among the DNAs and project developers. However, the African continent will not give any special priority to the CDM if the complexity of the mechanism continues to harbour such high transaction costs when compared with conventional investments without carbon finance components. Africa has too many other development needs.

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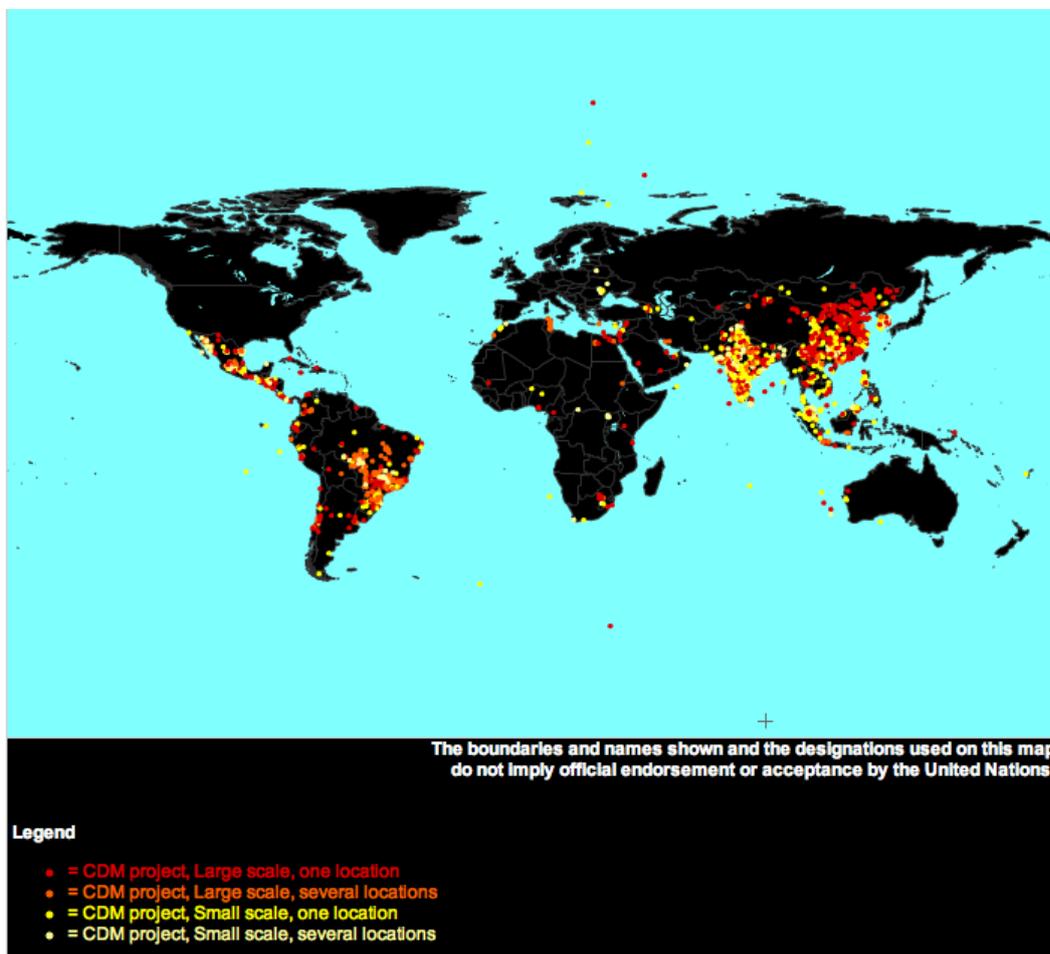
Barriers and Opportunities in Promoting the CDM in Sub-Saharan Africa

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Given the outcome of the Climate Change Conference in Copenhagen, the express aim of the international community is to achieve fair distribution of CDM projects. The CDM Executive Board has thus been asked to develop a credit model which will make it easier to finance CDM projects in countries which so far have been under-represented in the CDM. In this model, the costs involved in developing project documents (PDDs), project validation and the initial review are paid out as a loan and must be paid back when a project generates its first emissions certificates. This is a similar process to that used with registration fees for LDCs. The CDM Executive Board has developed a set of draft guidelines and modalities for the credit scheme. These will be presented to the CMP for further consideration at the upcoming climate change talks in Cancún.

In addition, the EU has decided that irrespective of whether a legally binding climate change agreement is reached, certificates from CDM projects in LDCs may be used in the EU Emissions Trading Scheme during the period 2013 to 2020 even if they are registered after 2012 (see box). The member states, in line with their commitments under the Effort Sharing Decision, should also ensure that their strategies for purchasing these credits promote a balanced distribution of projects, not least by increasing the number of certified emission reductions (CERs) purchased from LDCs and small island developing states (SIDS).

Against this backdrop, the German Environment Ministry is working to support activities which promote the CDM market in LDCs, particularly in Sub-Saharan Africa, and to help



Regional distribution in the global CDM pipeline (September 2010)
Source: UNFCCC

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these countries establish low-carbon economies. Implementing CDM projects in LDCs is subject to many peculiarities and obstacles. These include institutional weaknesses in host countries, comprehensive and complex requirements in the CDM project cycle, investment hurdles, and a lack of CDM methodologies specially tailored to local conditions. These circumstances must be analysed and the findings used to select appropriate strategies within the CDM.

In contrast to emerging economies, in the LDCs of Sub-Saharan Africa there are fewer large-scale projects with high reduction potential. Instead, there are far more smaller-scale project types with dispersed emissions sources and decentralised structures. Only 29 percent of the population have access to the electricity grid, so reduction potential should be used on the demand side, and especially in the off-grid sectors. According to the World Bank, Sub-Saharan Africa harbours the greatest emission reduction potential, with over 60 percent in the biomass sector, including sugar beet waste (bagasse/fibrous residue), farming and forestry waste/harvest waste.

In countries with poor institutional infrastructures and a lack of reliable data on emission levels, top-down methodologies and standardised baselines are particularly suited to keeping the costs incurred by project developers to a minimum and to reducing investment risk. Due to either the lack of or only poor energy infrastructures, the demand for energy in many developing countries is far below actual energy needs (known as suppressed demand). Methodologies that take account of this are of great importance, as are those for small-scale projects and for standardisation of biomass projects.

For example, to register a CDM project involving reduced use of biomass, the share of non-renewable biomass needs to be calculated. The non-renewable portion of the biomass refers to the amount that would not grow back, such as areas of forest cut down and not

replanted. Standardised methodologies for calculating the non-renewable portion of biomass would help to develop reduction potential using the CDM that has not been fully exploited to date (e.g. in the household energy sector).

One promising approach comes in the form of CDM programmes of activities (PoAs). These are designed to consolidate the reduction potential harboured in a large number of small-scale emission sources by combining them into a single programme that can be expanded over time. PoAs take in technologies like energy-saving lightbulbs and cookers, solar panels on roofs, solar-powered hot water systems, biomass-generated energy, and small-scale hydropower facilities (see the article on page 10). The high transaction costs involved in programmes of activities at the start of a project can be overcome with special funding (funds and carbon facilities). But for individual households, the initial costs are often too high to allow the purchase of the equipment needed. Microfinancing provides an option which could play an increasing role in such cases by allowing individual households to take part in PoAs via microcredit schemes.

In sum, it has to be considered that to promote the carbon market in Sub-Saharan LDCs, adapted methodologies and financing approaches are needed. Preferential treatment of CDM projects in these countries, as called for by the EU and regulated by the CDM Executive Board, can be used alongside with newly developed and yet-to-be designed strategies which allow the exploitation of emission reduction potentials in the region. To encourage African businesses to participate, in addition to the existing EU rules for the third trading period of the Emissions Trading Scheme and for the sectors not covered by it, long-term stable conditions will have to be created which secure adequate demand from those businesses.

Low-carbon energy projects
for development in
Sub-Saharan Africa.
Download at

<http://www-wds.worldbank.org>

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Priority treatment of projects from LDCs by the European Union

With Directive 2009/29/EC Amending Directive 2003/87/EC on the European Emissions Trading Scheme and the Effort-Sharing Decision 406/2009/EC of the Member States in sectors not covered by the Emissions Trading Scheme, the EU Climate and Energy Package adopted in April 2009 provides for priority treatment of certified emission reductions (CERs) from CDM projects in least developed countries from 2013.

If no binding international climate change agreement is reached, current EU law provides no guarantee that CERs generated by CDM projects registered after 2012 will be eligible for use in the **EU Emissions Trading Scheme**.

One exception under the revised Directive allows certificates from CDM projects conducted in LDCs which would have been implemented even without the signing of an international agreement to be used in the ETS until 2020 as long as an appropriate multilateral or bilateral agreement is in place.

A precondition is that the projects must be additional and contribute to sustainable development in the host country. This means that facility operators in the member states may transfer unused emission allowances from the trading period 2008 to 2012, and where appropriate approved use of those allowances, to the period from 2013 by using CERs from CDM projects in LDCs registered from 2013. Should an international climate change agreement be reached, as of 2013 only credits for projects implemented in third countries which have ratified the agreement may be eligible for use in the Community system.

The **effort-sharing decision** of the EU member states prescribes that each state shall use no more credits in a year than an amount equal to three percent of the greenhouse gas emissions emitted by the respective state in 2005. As with the EU Emissions Trading Scheme, the effort-sharing decision states that in respect of credits from third

countries, only credits from LDCs may be used for projects registered from 2013 onwards. A balanced geographical distribution of projects by means of increasing the share of credits from LDCs and small island states (SIDs) is also to be ensured by the following provision: all member states required to reduce emissions relative to 2005 levels under the effort-sharing scheme or allowed until 2020 to emit a maximum five percent of additional emissions compared with 2005 levels have the option, in addition to the above-cited amount of permitted credits, to use further credits in an amount equal to one percent of their 2005 emissions from projects in LDCs and SIDs.

Additionally, under the **Global Climate Change Alliance**, the EU offers capacity building measures and technical support for cost-efficient project development. The scheme promotes projects, project types and methodology development aimed at the specific conditions in LDCs and SIDs. This is designed to support countries most at risk from climate change

http://www.gcca.eu/pages/1_2-Home.html

Sources:

Directive 2009/29/EC of the European Parliament and of the Council of 23 April 2009 amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community

Decision No 406/2009/EC of the European Parliament and of the Council of 23 April 2009 on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020

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„Greater Focus on Sustainability“

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Tosi Mpanu-Mpanu is Director of the CDM Designated National Authority (DNA) of the Democratic Republic of Congo. He currently represents the African Group in the DNA Forum Chairing Committee. He is also a member of the Congolese UNFCCC Negotiation Delegation and has chaired the African Group at UN climate change conferences since COP 15.

Photo courtesy of IISD/Earth Negotiations Bulletin

The main barriers to CDM development have in part to do with the already low emissions throughout the continent, which makes it difficult to establish large-scale projects and generate a critical mass of CERs. While it is always possible to combine projects, it only adds to the complexity.

Conditions for market-based mechanisms like the CDM remain poor in Africa. Such mechanisms are implemented in regions where certificates can be generated most cost-effectively; they thus follow the same channels as foreign investment. Hence, preference is given to politically stable countries with good governance, strong legal and other institutions, and a well-established financial system.

The CDM in Africa suffers not least from a lack of interest among certain actors. A number of private and also public actors are unaware of their CDM potential. Interest is lacking among the financial institutions because the project cycles are too long and the results are uncertain. And Africa’s private sector, including its financial institutions, is simply too weak.

Finally, there is no demand among investors for certificates from afforestation projects, which could make up the major share for Africa, and they cannot be used in the EU Emissions Trading Scheme.

JIKO Info: CDM Programmes of Activities (PoAs) address small decentralised emission sources, a concept which many believed would increase Africa’s share in the CDM. However, only four PoAs have been registered so far. Can PoAs live up to expectations?

Tosi Mpanu-Mpanu: It is certainly possible. PoAs reduce transaction costs because they accelerate the registration and verification processes for CPAs. They shorten the ‘way to market’ for project developers who want to se-

cure the income from their CERs, because once they have been combined into a PoA, CPAs need not be re-verified by the CDM Executive Board. Because with PoAs, the size and location of a project need not be defined in advance, these projects are far more easy to scale than a normal CDM project. And, of course, they open the door to international CDM projects because a PoA can reach beyond national borders. For example, several countries in the Southern African Development Community (SADC) could cooperate in developing a regional PoA for solar cookers. This would further reduce transaction costs and lead to economies of scale which would not otherwise be achievable in smaller countries in the region.

JIKO Info: The CDM Executive Board recently simplified rules for microprojects and work is underway on a credit scheme for countries with less than 10 registered projects. Which procedures, methodologies and tools could be of additional help? Is there such a thing as ‘Africa-friendly’ methodologies?

Tosi Mpanu-Mpanu: The measures you mention must be expanded if the CDM is to play a greater role in Africa. Unfortunately, a process has evolved which involves generation of CERs at the lowest possible prices irrespective of sustainable development. Investors go after the ‘low-hanging fruit’ in other regions instead of investing in Africa. Greater focus must again be placed on sustainability criteria. The adoption of standardised approaches and benchmarks could significantly reduce the costs involved in project implementation. A positive list of projects and technologies whose emission reductions fall below a certain ceiling could be automatically classified as additional. These include renewable energy and energy efficiency, and also land use and forestry projects. The registration process could also be simplified for some African countries. Small-scale projects involving energy efficiency and sustainable land use should receive access to accelerated regis-

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tration. Such standardised approaches could be integrated into the VVM to promote simplified, cost-effective validation and verification.

JIKO Info: Information on and access to carbon finance is a key barrier to project development in Africa. Initiatives like the ACAD (see article on page 7) support project development by combining technical assistance, loans and access to corporate finance. Do you think this type of financial support is adequate?

Tosi Mpanu-Mpanu: Initiatives like the ACAD certainly help. But other investment instruments such as microfinancing should also be considered. Microfinance could be particularly suited to small-scale CDM projects such as distributing efficient cookers to households in poor rural areas. They could then pay back the purchase price via the credit scheme. For small-scale CDM projects in Africa, low-interest credit would also be an option. Here, the costs of CDM projects would be covered by fixed-price emission reduction purchase agreements (ERPAs) which have no performance-based clauses or penalties.

JIKO Info: The right institutional framework within the states is the key to attracting investment in CDM projects. However, only three countries in the SADC region have a working DNA website. What can decisionmakers and local authorities do to make market access easier?

Tosi Mpanu-Mpanu: DNAs have a dual role. Firstly, they regulate the CDM by developing procedures and criteria for project approval. Secondly, they are responsible for marketing the CDM. Unfortunately, most African DNAs have financing difficulties. They are able to fulfil the first part of their mission, but the second is often not managed very efficiently. Even the simple task of creating a website and keeping it up to date costs money which the DNAs are often not allocated under the national budget.

To be honest, creating an institutional framework is a task which often exceeds a DNA's capabilities. In most cases, fundamental reforms are needed in the way things are approached – ways which are firmly embedded in a country's economic, political, cultural and historical circumstances. The DNAs must work closely with other institutions to recommend potential reforms and implement them. They should draw on the vast experience of other DNAs to introduce simplified procedures in CDM financing.

Renewable Energy and Energy Efficiency are promising project categories in Africa.

Photos: atmosfair/Seol Min Lee/UNFCCC.



JIKO Report

African Carbon Asset Development Facility

Innovative Fund Supports African Project Developers



Glenn Stuart Hodes is a Senior Program Manager at UNEP's Risø Center, where he manages the African Carbon Asset Development Facility (ACAD).

Since the last JIKO Info special issue on Africa in 2006, the African carbon market has seen some change, but much has stayed the same. On the positive side, there has been a significant rise in interest among investors and businesses. Africa also managed to double its share of the primary CER market up to 2009, from 3.5 to 7.0 percent (although this is to be seen against the backdrop of strong global market shrinkage). On the negative side, many of the barriers that existed in 2006 are still in place. Africa's true potential for generating high-quality carbon credits on the global market remains largely untapped.

Among the highest barriers to a more robust carbon market in Africa are the low levels of capacity and expertise. Most African financial institutions are unfamiliar with the carbon assets development process or cannot assess the potential risks and benefits. They thus shy away from high initial transaction costs. Along with the lack of seed financing for developing promising projects, this situation becomes a vicious circle: the low number of successful demonstration projects hinders greater uptake in the market.

This led to the founding of the African Carbon Asset Development Facility (ACAD) in 2009. This public-private partnership focuses on developing the African carbon market. The ACAD is backed by UNEP, the German government and South Africa's Standard Bank. Its aim is to develop local capacities, industries and market-based solutions for the African carbon market. The German share of the ACAD stems from the German Environment Ministry's Climate Change Initiative which is funded by the proceeds from emissions trading.

ACAD empowers African eco-entrepreneurs by making seed capital available and by pro-

viding financial backing for replicable and sustainable demonstration projects. It also helps African financial institutions to tap into home grown carbon investment opportunities. By supporting a range of innovative and easy-to-copy projects, ACAD aims to mobilise more investment, stimulate similar ventures across Africa, and cut project development costs in the process.

ACAD gives businesses priority access to financial and consulting services via Standard Bank. This includes help in financial management and pricing, and the provision of funding options through the bank itself. ACAD is, however, not an investment or carbon fund as such, and its customers are in no way obliged to use Standard Bank as a creditor or sell their carbon credits. Rather, the facility provides catalytic and non-binding financial and technical help. By buffering the initial transaction costs and helping to source funding for projects, ACAD is instrumental in lessening reservations towards carbon funding in the region, and in placing a pool of successful, easy-to-sell projects on the market.

Since its inception, ACAD has opened a secretariat at Standard Bank in Johannesburg and has established procedures for processing the large number of project proposals received. The facility is supporting at least a dozen projects in its first phase through the end of 2010, and will seek to expand that number in 2011 and 2012.

ACAD actively seeks project proposals from businesses in need of interim funding in order to reduce the transaction costs involved in initial investment in carbon reduction projects. Applicants must fill out a two-page application form which can also be completed online. Project dossiers are screened by a steering com-

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mittee for compliance with ACAD criteria. These include general fundability, replicability, innovativeness, and fit with the existing portfolio.

ACAD has developed a series of workshops on CDM project financing and risk management training. Over 100 participants from African fi-

nancial institutions have taken part in training events in Cape Town and Nairobi. In November 2010, ACAD organised the African Bankers' Carbon Finance & Investment Forum in Johannesburg.

ACAD's next phase will place greater focus on supporting the programmatic CDM and proj-

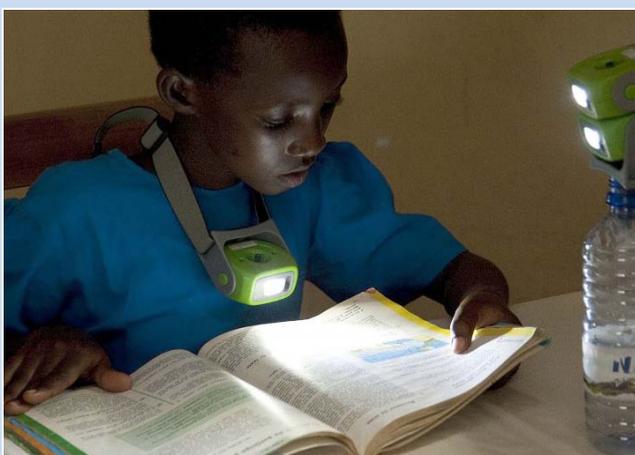
The ACAD Project Portfolio

The ACAD portfolio contains a broad range of demonstration projects which reflect the diversity of the African market and its true potential. For example, ACAD is supporting a high-tech, first-of-its-kind project in South



Africa's mining and metal sector: the building of a CHP plant in a smelting works in Buffelsfontein. The plant is expected to go into operation at the end of October 2010 and will produce 17.1 MW of energy generated from the exhaust gases from the smelting process. The project will result in improved local air quality, job creation, and greenhouse gas emission reductions of up to 200,000 t per year. ACAD is supporting the project to earn carbon credits under the CDM and to gain Gold Standard certification.

At the other end of the spectrum, ACAD is sponsoring a rural initiative for clean-energy lighting run by NURU Lights, a profit-oriented joint venture. In cooperation with Carbon Africa, a local carbon project developer from Nairobi, NURU is developing a programmatic CDM project which uses a network of independent traders and microcredit organisations to sell LED lights in Rwanda and neighbouring countries. NURU's portable, modular lighting system has already won a series of competitions and prizes for technological innovation. With the revenue from the certificates generated, the project can grow beyond the pilot phase and replace the petroleum lamps often used in rural areas, which are expensive and bad both for the environment and for respiratory health. Households in Sub-Saharan Africa currently spend some USD 18 billion on petroleum, candles and batteries for conventional lighting. This provides a huge market opportunity at the lower end of the economic pyramid. The project is expected to achieve annual reductions of approximately 30,000 t CO₂.



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For more information on the African Carbon Asset Development Facility see

http://www.bmu-klimaschutz-initiative.de/de/projekte_iki?p=1&d=364

and

<http://uneprisoe.org/ACAD/index.htm>

ects in LDCs. It will also support the development of regional methodologies, which has to date been a barrier in placing projects on the market (see box).

With the income from regional, environment-focused financing initiatives like the ACAD, it

is hoped that Africa's carbon market will soon experience the exponential growth seen in other regions.

Development of regional emission factors for renewable energy projects

Every CDM project must calculate the emissions which would have occurred if the project had not been implemented. For renewable energy projects, this is usually done by calculating a country's CO₂ intensity, expressed by what is known as the Grid Emission Factor (GEF). Renewable energy projects are best suited to countries with a high GEF because the relative contribution from certificate sales towards the overall profit from the project is higher than in countries with a relatively clean GEF.

For countries in southern Africa's energy grid, the Southern African Power Pool (SAPP), the actual baseline for this type of project is not the national GEF. This is because many countries in southern Africa are dependent on energy imports from the Republic of South Africa. For example: five countries in the region import 50 percent more energy than they produce domestically. A wind energy project in Namibia could therefore reduce both energy imports (and thus greenhouse gas emissions) from South Africa, and thus the load on the entire SAPP grid system.

Under the existing CDM rules, emissions from electricity imports must be calculated using an emission factor of 0 tCO₂/GWh (CDM EB50, Annex 14). The opposite applies for countries which export clean energy via the SAPP. This implies that CDM projects involving renewable energy are relatively un-

attractive in SADC countries with high renewables shares in national electricity production and high imports from South Africa. It also means that the CDM cannot provide any impetus for these countries to reduce their dependence on electricity imports.

ACAD aims to remedy this. Options are to be created for the development of methodological solutions for cross-border renewable energy projects within the SAPP. ACAD is working with a range of partners, including Vattenfall and the World Bank, to draw up a set of recommendations for solutions which will break down the barriers to regional CDM development.

A technical study will be conducted to assess the following options:

- a. Development of a SAPP-wide GEF based on regional construction and operation margins
- b. Development of different sub-regional GEFs based on specific national circumstances
- c. Calculation of country-specific GEFs based on existing rules and requirements, and taking CO₂ emissions from energy imports into account.

JIKO Analysis

Initial Experience with PoAs in Africa

The search for reliable programme developers and the difficulties of financing

By Alice Seitz and Rainer Sünnen, KfW

Since December 2007, 53 PoAs have been validated³, of which eight are conducted in Africa. Of the five PoAs registered so far, Africa is host to just one. Despite these rather low figures, the share of African projects when compared with 'normal' CDM projects is admirably high (15.1 percent versus 2.6 percent). This article describes the experience of KfW's PoA Support Center Germany with programmes of activities (PoAs) on the African continent.

With the work performed by its PoA Support Center, KfW represents the German Environment Ministry (BMU) in promoting the development of PoAs by providing grants towards PIN and PDD development. Via the Center, we receive numerous programme ideas from Africa. Others reach us via KfW's broad development aid network and the KfW Carbon Fund. So far, KfW has funded seven PoAs (see table). The table below shows that with the ex-

ception of the small-scale hydropower programme in East Africa, all programmes target the demand side. They use the vast majority of CDM revenue to pass the project's object (e.g. a cooker) to consumers at a reduced price.

On the whole, trends in PoA numbers in Africa show that the PoA concept addresses the special conditions there, as, for example, consideration of poorer populations and the use of potential in the small-scale biomass sector. Nonetheless, implementing PoAs is more complex than normal CDM projects, both in terms of programme organisation and in regard to the CDM rules.

A PoA's success is reliant on the strengths of the implementing organisation. Finding a suitable local organisation in Africa is a challenge: they have to have enough experience in programme development and the necessary cred-

Country/Region	Sector	Implementing Organisation	CDM Methodology
Tunisia	Energy efficiency in buildings	Government agency	AMS-II.E
West Africa	Energy efficiency (efficient wood-fired cookers)	Non-governmental organisation	AMS-II. G
East Africa	Renewable energy (small-scale hydropower plants)	Private consulting firm	ACM0002
Ethiopia	Energy efficiency (efficient cookers)	Multilateral aid organisation	AMS-II.G
Nigeria	Energy efficiency (efficient cookers)	Non-governmental organisation & local initiative	AMS-II. G
South Africa	Energy efficiency (lighting systems for businesses)	Private consulting firm	AMS-II. C
South Africa	Renewable energy (solar-powered hot water heaters) (see JIKO Info 02/2010)	Private consulting firm	AMS-I. C

³ Status: 27.08.2010 – in this context, validation means the start of the UNFCCC public comment period

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itworthiness to be attractive to foreign investors. This is why international aid organisations, and in some cases government agencies, often act as implementing organisations. Local African banks have gained little CDM experience to date.

KfW has had positive experience with local private consulting firms in South Africa and in East Africa because they are responsive, can deal with CDM issues competently, and work in a solution-oriented manner. Still, when implementing a programme, they often need additional partners: one to help with the organisational side, and a strong financial partner (such as a local bank) who can handle payment flows.



Alice Seitz

KfW Bank Group
Carbon Fund –
Carbon Certificates Center

In Africa, knowledge of the CDM and experience in managing programmes is poorer than in developing countries in Asia or Latin America. Thus, when developing a PoA, KfW usually has to facilitate a good deal of knowledge transfer. The implementing organisations seek consultation in meeting the special requirements of a CDM programme, particularly in implementation and monitoring, and must be afforded intensive support during the entire process.



Rainer Sünnen

KfW Bank Group
Carbon Fund –
Carbon Certificates Center

What must not be neglected is the financial dimension of a PoA: to foster a programme, large amounts of seed funding are often needed which can only be paid back once the first certificates have been sold. Thus, due to what are mostly very poor country ratings and negative creditworthiness of the implementing organisations, private investors are somewhat reserved when it comes to Africa. Added to this come the regulatory uncertainties surrounding the CDM in general, partly because of the lack of a follow-on agreement on future climate policy.



Solar Home Systems are ideally suited for programmatic CDM;
Photo: KfW Photo Archives/Böthling

Despite the difficulties described in developing a CDM programme in Africa, private investors are showing far greater interest in African CDM projects and PoAs. In the medium term, this will lead to increased capital flow to finance projects and programmes, and also to a greater knowledge leap which will generate further project and programme ideas.

A CDM PoA in Africa: Efficient cookers in Ethiopia

In cooperation with the World Food Programme, the KfW PoA Support Center commissioned a preliminary study on the development and implementation of a CDM programme to distribute energy-saving cookers in Ethiopia. The programme comprises the installation of up to 200,000 energy-efficient cookers with a reduction potential of 400,000 CO₂-eq per year. The potential for energy saving by means of greater energy efficiency is extremely high in some parts of Ethiopia. For example, using one improved cooker would reduce Ethiopia's wood consumption by 570 kg per year. Households could thus save as much as an average worker earns in two and a half months (see <http://gc21.inwent.org>; GTZ cooker programme).

The energy-efficient cookers will be distributed to households and schools in four regions and 23 districts of Ethiopia. Cookers are also earmarked for distribution to some 990 schools as part of a nutrition programme. The cooker programme is run by the Ethiopian Ministry of Agriculture and Rural Development and the World Food Programme. The project targets house-

holds and schools to improve and maintain access to energy-efficient and healthier cooking methods in the region.

This significant reduction of firewood has many benefits:

- ▶ Deforestation is reduced and with it soil erosion
- ▶ Forests can regenerate with positive effects on vegetation, biodiversity and the local climate
- ▶ For the local population, working hours are reduced in collecting wood and this frees up time for other income-generating activities
- ▶ People's health, and especially that of women and children, is improved thanks to the reduction of harmful emissions in the home

Implementing a PoA leads not only to improved quality of life in the region, but also to a real, verifiable reduction in emissions under the CDM.



The cookers use a tried and tested technology. A cooker with cooking and baking functions is assembled on a portable cement base. They have a chimney and an enclosed wood burning chamber. Photos: © KfW Bankengruppe

JIKO Report

The Nairobi Framework to Promote the CDM in Africa

Boosting capacities and networking actors



Dr. Karsten Karschunke

joined the Federal Environmental Agency (UBA) in January 2003. His responsibilities at the German Emissions Trading Authority (an arm of the UBA) take in review and approval of CDM and JI projects, and cooperation on further development of the project-based mechanisms.

At the Second Conference of the Parties to the Kyoto Protocol (CMP2) in 2006, the then UN Secretary General Kofi Annan called upon all delegates to include Africa in their climate change initiatives and instruments. Since then, under the Nairobi Framework, the UNFCCC has led multiple UN organisations, the UN Economic Commission for Africa (UNECA) and multilateral financial organisations in working to promote participation of African states in the CDM.

The primary focus of the Nairobi Framework is capacity building for all players in the carbon market, and particularly the Designated National Authorities (DNAs) – the national CDM agencies. Because these organisations are often the first point of contact, they play a key role in developing the CDM: they can actively promote the CDM, targeting potential investors and project developers, their national governments, and other agencies and funding institutions in order to improve the investment climate.

Private sector involvement is of great importance with the CDM. It is addressed by specific capacity building measures to broaden the spectrum of participating countries, for example with potential analysis studies for technologies such as bioenergy generation from plant residue. Also, for selected countries, model projects will be identified and supported in developing project documentation.

CDM projects now exist in many African countries, but they still lag far behind when compared with Asia with its big CDM countries like China and India (see chart). The inherent structural differences must be accepted and taken into account when developing project portfolios.

Apart from direct support for selected countries, the Nairobi Framework also promotes over-arching activities to improve the CDM infrastructure. To prevent duplication of effort among UN organisations and donors of bilat-

CDM Bazaar portal:
www.cdmbazaar.net

The screenshot shows a web browser window with the URL <http://www.cdmbazaar.net/repo/events/event-540757890>. The page features the CDM Bazaar logo, navigation links (Home, About CDM Bazaar, How to use the Bazaar, Contact, Legal, Glossary, RSS), and a search bar. The main content area displays an event listing for "Carbon Markets & Climate Finance Africa" created on 2010/07/26. The event details include the date and location (2011/01/25, Johannesburg, South Africa), contact information for Green Power Conferences, and registration details (deadline: 2011/01/25, fee: on request). A sidebar on the left lists categories like Sellers, Buyers, and Service Providers. A right sidebar contains a search box, a "Signup" section with a "Register" button, and a "Login" section with fields for username and password.

JIKO Report

eral funds, the Nairobi Framework takes on a coordinating and informative function. Two Germany-initiated projects are spotlighted in this issue of JIKO Info: the African Carbon Asset Development Facility (ACAD) and the activities of the KfW PoA Support Center.

A key approach under the Nairobi Framework is the building of a network and exchange of information. The CDM Bazaar, an online portal, was launched as a global market place for information and projects. Project developers, investors and service providers can use the website to showcase their activities and forge contacts.

The creation of a real-life network is pursued alongside the portal. Annual trade fairs are organised in the region in close cooperation with the private sector. At the Second African Carbon Forum in March this year in Nairobi, over 1,000 people attended a total of 25 workshops, training sessions and expert panels to exchange views and experience on issues such as Africa-friendly methodologies and managing risks in CDM projects in Africa. The Third African Carbon Forum is expected to be held in Morocco in March 2011.

For further information on the Nairobi Framework, see: http://cdm.unfccc.int/Nairobi_Framework/index.html

Glossary / Abbreviations

All CDM/JI-specific terms and abbreviations are explained in detail in a glossary on the JIKO website at www.jiko-bmu.de/459

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