Linking market mechanisms and climate finance in Africa

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Agenda

1. **Introductory presentation**

Stephan Hoch (Perspectives), Sandra Greiner (Climate Focus)

Linking Carbon Markets and Climate Finance in Africa. *Project overview, Tour d'horizon of the potential benefits, challenges and open questions* (20 min)

2. **Reaction**

El-Hadji Mbaye Diagne (CDM Executive Board, AGN lead negotiator for markets)

African perspectives and ongoing CDM EB activities (10min)

3. **Q&A and discussion** (10min)

Continued revelance of the CDM

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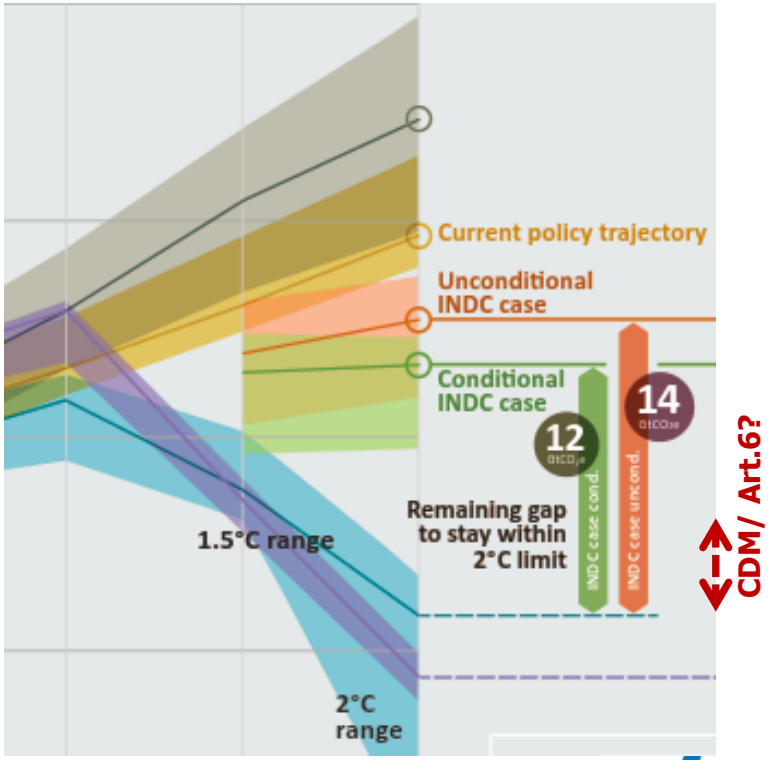
- **CDM was created in the Kyoto Protocol**
- **Q: Contributions of CDM and PA Art. 6.4 Mechanism to closing gap in current NDCs to 2°/1,5° target?**
- **CDM Pipeline Potential (UNEP DTU 04/2018)**
  - >10,000 CDM activities (Projects+PoAs)
  - 2020 CERs: 10,9bn CERs (incl PoA)
  - 2030 CERs: 18,7bn CERs
- **African participation in CDM was small, but reforms have increased access to CDM**
  - PoAs, simplified methodologies
- **Some elements of CDM will transition to Paris Agreement mechanisms (?)**



UNEP 2016

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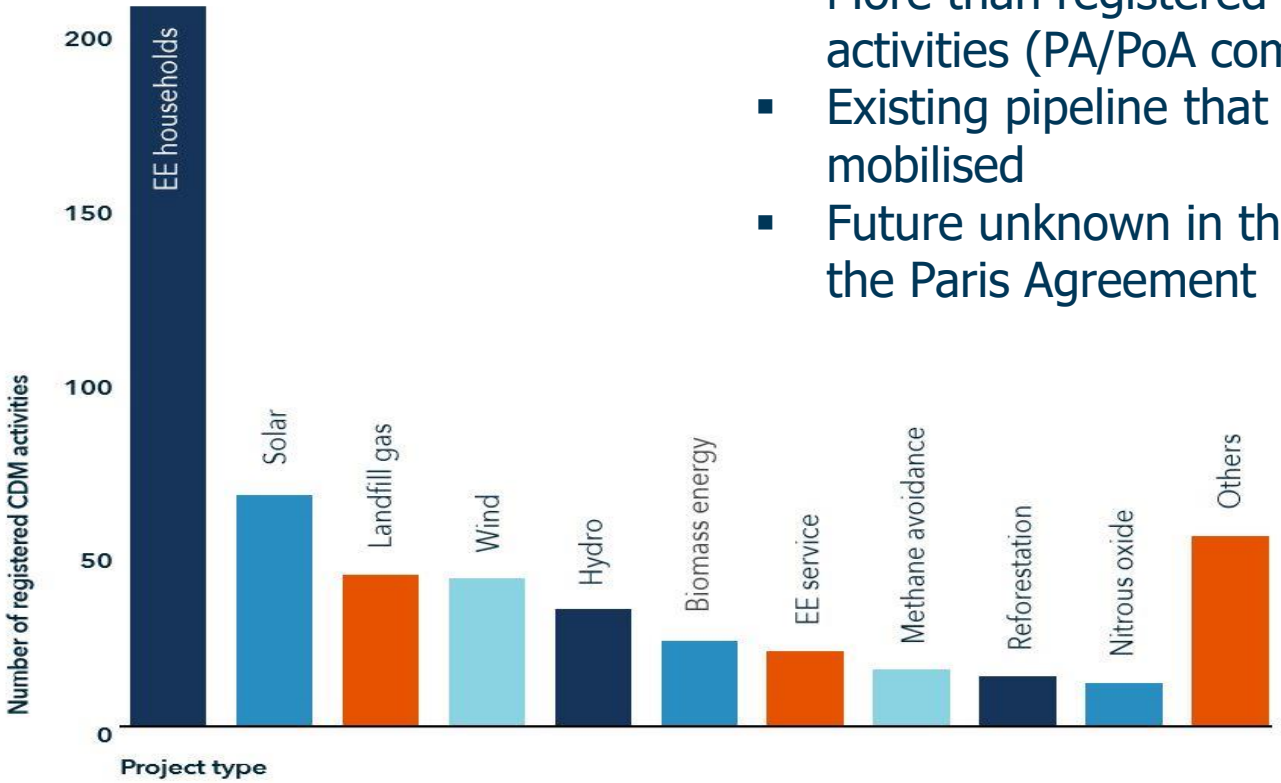
The CDM pipeline in Africa



- More than registered 500 CDM activities (PA/PoA combined)
- Existing pipeline that can be rapidly mobilised
- Future unknown in the context of the Paris Agreement

African registered PoAs: 5+CPAs, public / private CME

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Title	Host country	Coordinating Entity	PoA-Type	CPAs	2012 ktCO2	2020 ktCO2	Issuance kCERs
PoA for the Reduction of emission from non-renewable fuel from cooking	**Madagascar**, (many)	Green Development AS	EE households	59	0,000	29.854,592	0,000
Uganda Municipal Waste Compost Programme	Uganda	National Environmental Management Authority	Landfill gas	12	136,847	1.018,526	16,549
Green Power for South Africa	South Africa	The Standard Bank of South Africa	Hybrid renewables	11	0,000	12.333,620	0,000
Solar Water Heater Programme in Tunisia	Tunisia	Agence Nationale pour la Maîtrise de l'Energie ()	Solar	8	15,719	417,630	0,000
SASSA Low Pressure Solar Water Heater Programme	South Africa	Solar Academy of Sub Saharan Africa	Solar	7	166,262	3.258,350	99,170
CDM Africa Wind and Solar Programme of Activities for South Africa	South Africa	CDM Africa Wind/ Solar	Hybrid renewables	7	0,000	20.337,200	0,000
DelAgua Public Health Program in Eastern Africa	Burundi, Rwanda, Tanzania, Uganda	DelAgua Health and Development Programs	EE households	7	0,000	1.593,909	66,217
African Improved Cooking Stoves Programme of Activities	Ghana	Envirofit International	EE households	6	0,645	2.370,399	12,472
Improved Cook Stoves programme for Rwanda	Rwanda	atmosfair gGmbH	EE households	6	9,948	2.221,250	6,517
Renewable Energy CDM Programme of Rwanda (RECPR)	Rwanda	Ngali Energy	Hybrid renewables	6	0,000	256,389	0,000
Improved Cooking Stoves for Nigeria Programme of Activities	Nigeria	Developmental Association for Renewable Energies	EE households	5	11,181	990,740	12,494
Tanzania Renewable Energy Programme	Tanzania	Rural Energy Agency	Mixed renewables	5	0,000	504,859	0,000

Key benefits of linking the CDM and GCF

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- **Leverage the existing CDM pipeline**
  - GCF support to high quality CDM activities at risk of discontinuation could rapidly mobilise a scalable pipeline of mitigation activities. African CDM activities typically offer high sustainable development benefits
- **Attract new sources of (private) climate finance**
  - GCF can leverage the CDM's ability to mobilize private sector investment
- **Pave the way for future demand**
  - To achieve the PA objectives, all potential mitigation options need to be mobilized and market mechanisms and climate finance need to work "hand in hand"
- **Strengthen the results-based focus of climate finance**
  - CDM MRV tools (simplified CDM methodologies, CDM registry incl. cancelation account) facilitate tracking progress on NDC goals without 'reinventing the wheel'.

Linking the CDM & the Green Climate Fund

Report:

Insights from practitioners and decision-makers in Africa

Ethiopia: CF potential for sustainable energy access PoAs

CRGE / GTP2,3,4,... / NDC

- Clean Cooking PoAs
- Offgrid Electrification PoAs

Carbon Credits →

← Climate Finance

Ci-Dev
CARBON INITIATIVE FOR DEVELOPMENT

Upscaling up with GCF finance?

GREEN CLIMATE FUND

CORSIA

Ethiopian
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NDCs
Article 6 mechanisms

COP21 · CMP11
PARIS 2015
UN CLIMATE CHANGE CONFERENCE

Uganda: Climate finance for institutional stoves

Uganda Green Schools NAMA

CDM SB provides MRV for NAMA and CDM

MRV

CERs

- CDM projects and PoAs contribute to NAMA implementation
- CERs will be cancelled, depending on available NAMA financing
- EOI to CDM PPs published

CLEAN DEVELOPMENT MECHANISM

ASB0016

Standardized baseline

Institutional Cook Stoves in Uganda

ICSEA
Improved Cook Stoves for East Africa Ltd

CPA

CPA

CDM PoA 2

CPA

CPA

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Key challenges

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Access to climate finance (e.g. GCF) is highly restrictive and not feasible for every CDM project developer. Bottlenecks:

- **Finding a suitable Accredited Entity (AE)**
  - Project size and funding request has to match AE's scope of accreditation. Limited number of national AEs. International AEs prefer own investment portfolio (co-financing requirements and due diligence efforts)
- **National endorsement**
  - Restrictive approval practices from the NDAs due to limited climate finance resources. Easier access for public entities than for private developers
- **Scale, paradigm shift and transformative impact**

How to harness complementarity of market mechanisms and climate finance?

1. Concretely: developing climate finance proposals

- identifying complementarity of finance in concrete cases, clarify attribution of emission reductions to different funders

2. Conducive frameworks [to be] adopted by climate finance institutions

- Examples: GCF, NAMA Facility, World Bank RBCF funds, IKI, The Nitric Acid Climate Action Group

3. Enabling linkage in Article 6 negotiations

- Current informal text includes both enabling and restrictive elements. Role of climate finance in bridging uncertainties in ITMO transfers?

IKI Project Overview (2018-2020)

- **Support to African CDM pipeline (especially PoAs), mobilizing upscaled mitigation impacts through results-based climate finance (GCF)**
- **Capacity building, conceptual work, technical assistance and outreach related to the operationalization of the PA, in particular Art.6, but also GCF**
- **Focus**
  - Partner countries Ethiopia, Uganda, Senegal
  - Regional organizations in East and West Africa
  - UNFCCC Negotiations

Project results framework

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Impact

Improved access to climate finance for mitigation technologies in sub-Saharan Africa will help to achieve and enhance the ambition of African NDC objectives and climate resilience

Outcome

Strengthening mitigation capacities by elaborating innovative climate finance models
Strengthening national and regional capacities for the mobilisation of investments
Strengthening the capacities of negotiators in the international climate negotiations

Output I

Climate finance proposals and national capacity building

Output II

Regional capacity building

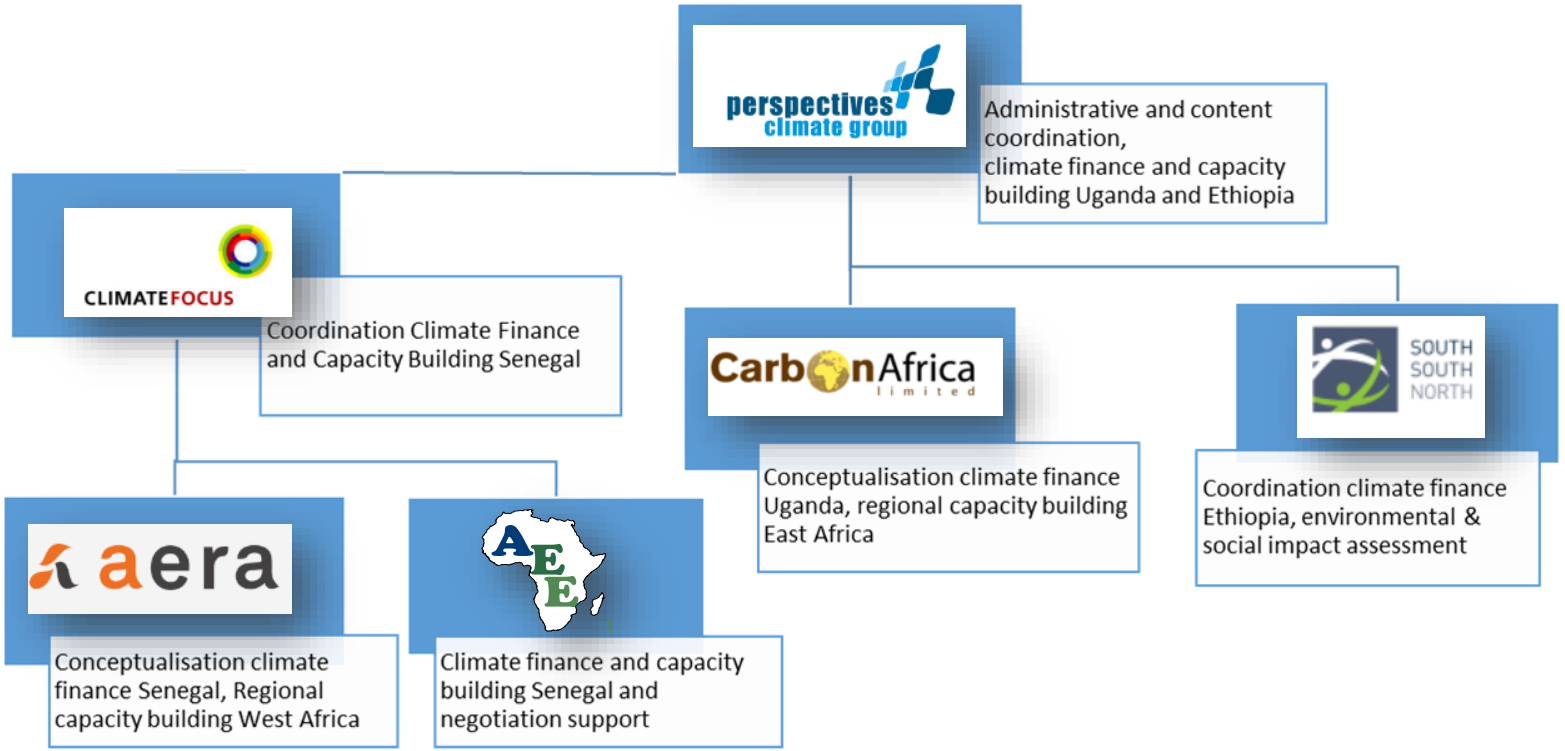
Output III

Conceptual work (Publications and methodologies)

Output IV

Negotiation support, outreach and public relations

Project Team



Thank You!

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Synergies with related activities

- GIZ CF-Ready Programme
- Global Carbon Markets Programme Africa
- UNFCCC RCCs
- West African Development Bank
- East African Community
- African Climate Policy Center/ACPC
- G7 Carbon Market Platform
- GCF Country Readiness Programme/ Project Preparation Facility
- World Bank Carbon Initiative for Development
- GIZ Energising Development Programme (ENDEV)
- Carbon Pricing Leadership Coalition
- Cooperation with existing IKI-Projects