

Highlights of Challenges and Clue for Recommendations on Africa – CDM

PACJAs' perspective

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Contents

- **Introductory remarks**
- **What are the added benefits for Africa and LDC**
- **Key issues for the future**
- **Highlighting CDM challenges in Africa**
- **Clue for recommendation**



INTRODUCTORY REMARKS

- How much global climate change will occur in the future depends on:
 - GHG emissions already accumulated in the atmosphere
 - future GHG emissions and actions that affect the size of various carbon sinks

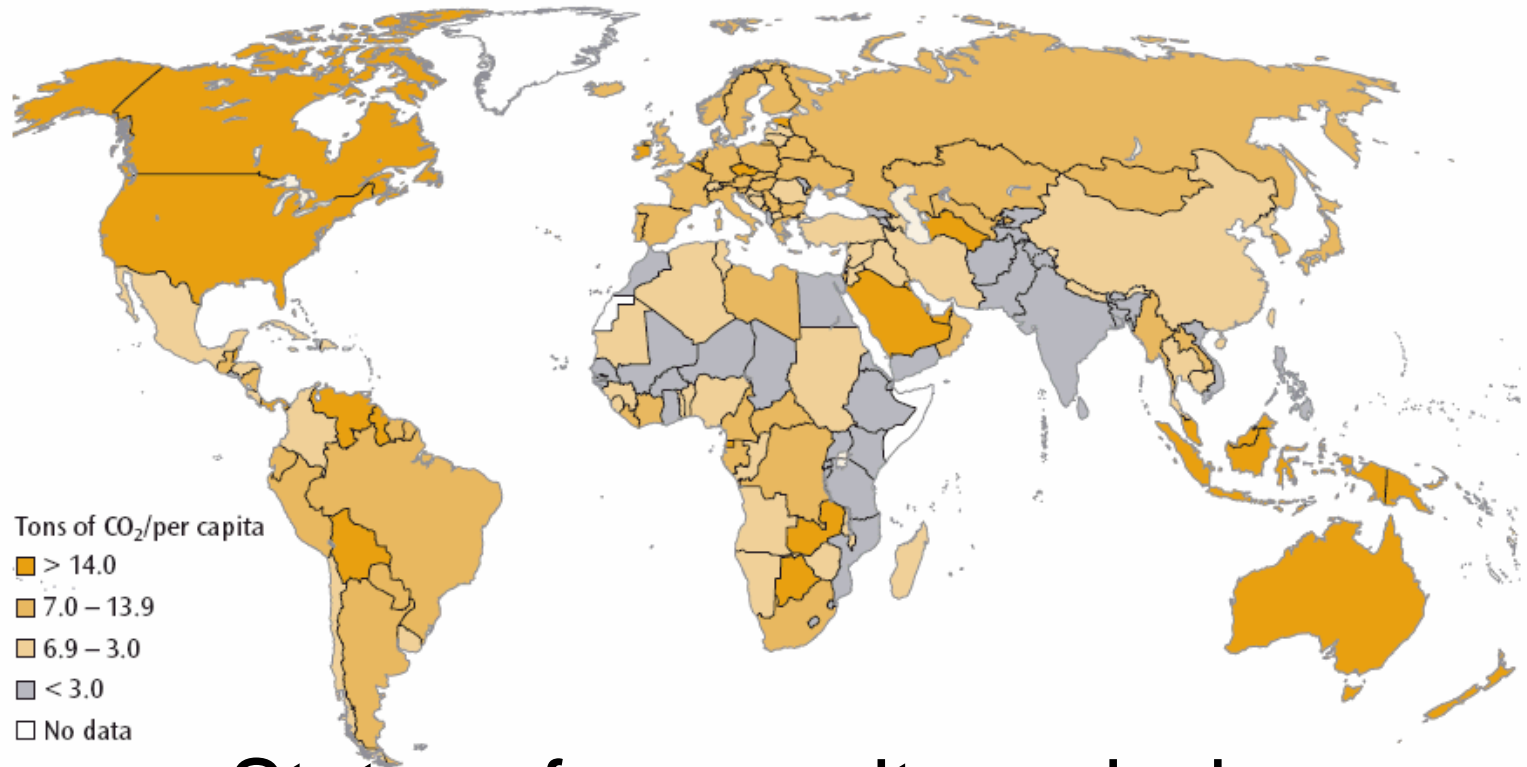


.... INTRODUCTORY

- Climate change negotiations, advocacy and constructive policy dialogue are believed to have an important welfare consequences for poor countries in Africa
- When it comes to CDM, due to the spill over problem, major emitters should bear the cost of taking measures such as adaptation and mitigation



.... INTRODUCTORY



Status of per capita emission -
major emitters- tones of carbon
dioxide per capita



.... INTRODUCTORY

- PACJA enthusiasm:
- Africa received the establishment of CDM as the only resultant mechanism of KP linking the developing and industrialized counterpart,
- Insured countries in Africa contributed to the reduction of GHG & ensuring the Sustainable Development effort were not affected



.... INTRODUCTORY

- *However, despite encouraging progress under the Nairobi Framework, Africa is still underrepresented in the CDM*
- Of the 2236 registered projects by the UNFCCC Executive Board on CDM, Africa has about 45/137 projects, representing less than 3% of the total registered projects



.... INTRODUCTORY

- while a greater percentage of registered projects among developing countries are located in Asia and Latin America.
- The reasons behind the low development of CDM projects in Africa are both:
 - **Traditional financing** barriers and
 - Challenges particular to the **carbon market**.



ADDED BENEFITS FOR AFRICA and LDC

Recognizing most CDM-projects have been in China and India, & very few projects in Sub-Saharan Africa (except for South Africa) and LDC,

- UN has made a special effort to increase the amount of projects in these countries.
- In addition, any country with fewer than ten projects registered gets special treatment.



.... ADDED BENEFITS

- For LDC and countries with fewer than ten projects, the **registration fee** for project is deferred until the first issuance of CERs.
- In addition, such countries may be eligible for special loans to cover the costs of development and validation of projects.



..... ADDED BENEFITS

- A specific agreement, the Nairobi Framework, focuses on building and enhancing capacity:
 - in developing CDM project activities,
 - promoting investment opportunities,
 - improving information sharing and inter-agency coordination.



KEY ISSUES FOR THE FUTURE

- A comprehensive capacity building program jointly implemented by UN Agencies and Multilateral Development Banks under the Nairobi Framework are already being implemented with the UNDP, UNEP, World Bank Group (WBG), AfDB, UNFCCC and the UN Economic Commission for Africa as its newest partner.



.... KEY ISSUES

- While little progress has been achieved and indeed the number of registered projects has increased from 45 in 2009 to about 137 as at July, 2010,.
- Nevertheless, sub-Saharan Africa is yet to attain its full potentials of the CDM projects and there still remain serious **questions** whether it will actually achieve under present circumstances.



.... KEY ISSUES

Certain questions beg for answer:

- As a market based instrument, whether the market can engage with the various requirements of climate funds namely availability, adequacy, appropriateness, accessibility and equity.
- Do African countries have the resources to pay for the upfront funding that is expected under CDM?
- Have African countries adequately developed the institutional frameworks, human resources base and technical capabilities to develop a workable CDM?



..... KEY ISSUES

- As the most impacted and most vulnerable with the least greenhouse emission, is the unequal continental/regional distribution of CDM projects fair?
- Does the CDM actually deliver on the cut it claims, considering that focus is on buying emission credit rather than investing in emission reduction projects?



..... KEY ISSUES

- How can Africa enforce international policy of some of the solutions suggested in dealing with the failures of the CDM which are outside the convention?
- How can Africa use the ongoing negotiation to further reform the CDM to improve its delivery for Africa?



.... KEY ISSUES

One of the widespread criticisms of the CDM is

- The bottleneck of the **CDM registration process** and **the project cycle itself**.
- The World Bank publication on the State and Trend of the carbon market notes that
 - *“it takes about 3 years in total (for a project to go through registration and validation until first issuance)*



..... KEY ISSUES

- *Delays and uncertainties lead to higher transaction costs, declining CER volumes, and lower market values.*
- *These issues penalize LDCs in particular by making it harder for them to access the carbon market and threaten to erode projects sponsors' interest in carbon finance mechanisms over the long*



..... KEY ISSUES

- The CDM Executive Board in 2009 released its annual CDM report, which **draws attention to some of the more recent reform** it had initiated in response to criticisms and calls
- However, It is doubtful if these reforms will sufficiently address the concerns of Africa on the CDM and improve its participation.



HIGHLIGHTING CDM CHALLENGES IN AFRICA

- Being the fact that Africa emits the lowest GHG and thus offers the lowest opportunities for GHG project development.
- This assertion however, has not denied the availability of CDM projects in Africa, as opportunities and potentials for sustainable solutions under the CDM are considerable,



.... CHALLENGES

- But coupled with other financial and CDM related challenges, Africa's involvement has progressed slowly.
- A Southern African Development Community (SADC) April 2010 has noted the challenges
- Some are the following:
 - Lack of and limited capacity of national institutions in charge of CDM in African Countries.



.... CHALLENGES

- The lack of awareness of the potential and value of the carbon finance in the public and private sector, and the misunderstanding of the nature, potential and details of how carbon trading works,
- Challenges of information sharing and inter-agency coordination.
- A low assessment, in comparison of the general investment climate, to attractiveness of CDM in most African host countries.



CLUE FOR RECOMENDATION

1. Simplified, shorter and less expensive process:

- African countries must be encouraged and seek greater participation in the UNEP Africa Carbon Asset Development (ACAD) facility.
- The ACAD provides complementary financial support for:
 - (a) Risk and transaction cost sharing.
 - (b) Technical assistance for project developers.
 - (c) Targeted training and outreach for financial institutions.



..... RECOMENDATION

- Funding of CDM project must be aligned to adaptation by poor communities and take cognizance of the fact that most of the individuals in Africa are victims rather than performer of climate change.
- CDM reform must aim to improve efficiency of the process, while maintaining its quality.



..... RECOMENDATION

- African countries may also seek further development of the CDM from solutions outside the UNFCCC. **Taxes and levies on environmental-damaging activities may be considered and proceeds can be used to finance greener and cleaner projects.**
- Policy certainty will guarantee investors' confidence. Therefore a longer-term international agreement on climate change (that is fair and legally binding), will broaden the range of mitigation measures that are attractive investment.



..... RECOMENDATION

- A reformed CDM that will ensure the priorities of Africa to adapt to climate change and deliver economic growth and poverty eradication must be pursued.
- The encouragement for the participation of the private sector is imperative as the mechanism will continue to be market-driven



..... RECOMENDATION

2. Building capacity and strengthening national institutions:

- The participation of broad-based stakeholders to include energy sector departments /ministries in the climate change negotiations.
- AMCEN to encourage sub-regional approach to CDM related program with particular focus on potential regional program of actions.
 - This regional engagement could be anchored by AMCEN for development of a common position.



..... RECOMENDATION

- There will also be the need for a CDM Technical Advisor positions to be created in the regional secretariats.
- Developing human capital for CDM Project development.

3. Education and knowledge.

The Nairobi Framework identified education and training as one of its broad objectives.

- Increase understanding and knowledge on the CDM amongst all relevant stakeholders is necessary, **particularly to policy makers.**



..... RECOMENDATION

- Knowledge on the issues under the Convention and Protocol **especially the on-going negotiations.**
- Pursuit of the know-how for the enhancement of a low emission development strategy in Africa, which seemingly stands a greater chance of attracting financing much easier than the CDM.



THANK YOU

