

6<sup>th</sup> December 2018

## Linking Carbon Markets and Climate Finance in African Countries Side Event Report

Overseas Environmental Cooperation Center, Japan (OECC)  
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This is a report of a side event held at the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP24) from 3<sup>rd</sup> December to 18<sup>th</sup> December 2018, in Katowice, Poland.

- Title : Linking Carbon Markets and Climate Finance in African Countries
- Date : 18:30 - 20:00, Thursday, 6<sup>th</sup> December 2018
- Organizer(s) : University of Zurich (UZH), Government of Senegal (GOS)
- Venue : Room Bieszczady
- Moderator: Axel Michaelowa (University of Zurich/Perspectives Climate Research: UZH/PCR)
- Presenter(s) : Madeleine Diouf Sarr (Ministry of Environment and Sustainable Development, Senegal: MESDS), Axel Michaelowa (University of Zurich/Perspectives Climate Research: UZH/PCR), Stephan Hoch (Perspectives Climate Group: PCG), El Hadji Mbaye Diagne (Afrique Energie Environnement, Senegal: AEES) and Ousmane Fall Sarr (West African Alliance on Carbon Markets and Climate Finance, WAACMCF).

### Abstract

This side event presented a project to pilot replicable climate financing models in Senegal and Ethiopia that are based on the pipeline of activities under the CDM. The government of Senegal showcased how these activities help implementing the NDC currently under revision.

### Session Summary

How to revive the carbon markets in the african context and to link them to climate finance overall.

#### 1. Michaelowa, UZH/PCR: "Linking Carbon Markets and Climate Finance"

- We have limited demand for new mechanisms and credit price is low meaning public finance sources must be bigger

- Questions whether CDM should transition to Article 6
- Should Art 6 be blended with public climate finance
- Experiences and capacities needed by African countries as the Paris Rulebook clarifies the future of market mechanisms.

## 2. Hoch, PCG: “Climate Finance Innovators: Linking Market Mechanisms and Climate Finance In Africa”

- The project team of Perspectives Climate Group includes ClimateFocus, Carbon Africa, AERA, AEE, Perspectives, South-South-North.
- Aim to create funding proposals, assistance and other measures to support CDM pipeline especially PoAs and scaling up mitigation through GCF.
- Partners include Uganda, Ethiopia and Senegal, Togo and Regional organizations in East and West Africa (UNFCCC, EADB, BOAD).
- New policy brief addressing COP24 prepared by Perspectives: new requirements should reflect African circumstances.
- We have experiences of the CDM to make reforms and not throw it out completely.

## 3. Diagne, AEES:

- Reflection notes were made based on the discussions had in Bangkok. 3 agendas: cooperate approach 6.2, 6.4 and non market 6.8 to get a decision. Discussions are more difficult than expected according to negotiators. There are a lot of differences among Parties.
- 6.2 is the most difficult since they're approaches not supervised by the UNFCCC. The main issue is some parties don't want interventions of the UNFCCC and instead want to contribute independently according to their own terms.
- However, if parties want to be independent, they must follow minimum rules to avoid issues such as double counting etc.
- 6.4 mentions share of proceeds but it is not defined so this could be a levy to be used for adaptation.
- SIDS, LDCs want share of proceeds on transactions to support troubled countries.
- Another important issue for Ar. 6 is reductions from activities outside NDCs. Are they included? Second issue is transition of KP mechanisms.
- You cannot say achievements have been lost just for a new agreement like the PA. We need to find solutions for this problem. However, related to this issue, many emerging countries have banked many credits and so if they move them to the PA, ambition will

be lowered.

- The Kyoto protocol ambition will also be an issue to resolve
- Many parties want to move issues critical to Africa at the political level, but technical issues need to be solved at technical level. Political issues should supersede the ambition.

#### 4. Ousmane, WAACMCF: “Senegalese Rural Electrification Case”

- Senegal NDC mentions using market mechanisms
- Rural electrification of 40% and targeting 60% by 2019 and universal access by 2025.
- Rural Electrification (RE) program is in 2 phases: emergency phase and second phase.
- Mobilized private funding to facilitate RE. Each 20 years concession is awarded to 10 areas.
- Total cost required to scale up is USD 600M.
- Challenge is mobilizing funding: grants, concessional loans, private sector through blending, also looking to leverage climate financing.
- Difficulties to implement programs: financial viability is low in many concessions as penetration rate is less than 20% in most of villages because of high tariff in rural areas. Uniform tariff for whole country therefore unsound so that connection costs will be reduced.
- PoA of CDM is also leveraged to address this issue. Revenue from credits are used as a subsidy to facilitate affordability of rural households.
- Linking markets and climate finance can help us unlock developing countries unlock potential to achieve development goals whilst achieving NDCs.

#### 5. Hoch, PCG: “The Cases of Ethiopia and Uganda”

- Many African countries have registered PoAs. (CDM programs).
- Ethiopia has off-grid renewable energy CDM programme with 3 component projects.
- Ethiopia Clean Cooking CDM programme with 2 component programs.
- Ethiopia has a 5 year plan and need to scale up existing programs by a factor of 10-20 to meet 2020 targets.
- The GCF is a candidate to get financing, in addition to CORSIA in the future, which should start generating financing through carbon offsets.
- Uganda has NAMA for Green Schools with clean energy technologies, biogas (sanitation) and can be used to link climate finance with CDM.

### Panel discussion with Q&A

Q1. Fahd: Were there any positives that came out of that?

A1. Diagne:

- The only positive thing is one on one talks outside the negotiation room leading to harmonized views.
- A lot of technical work has been done on Art. 6, also outside of the UNFCCC to see how we can reconcile the different positions.

Q2. How will this enhance mitigation in Africa. What is the key difference between ITMOs and CDM?

A2. Diagne, CF:

- A larger participation of parties and stakeholders would allow higher ambition in adaptation and mitigation. For ITMOs and CDM, Art. 6.4 for mitigation and sustainable development it will deliver certified mitigation outcomes that can be used to NDC or voluntary market and exchanged to other parties or CAORSIA.

Q3. Shed some more light on out scope outcomes (outside/inside NDC mitigation)

A3. Diagne:

- If a mitigation is done outside NDC, we think it should be allowed in Art. 6 but safeguards should be put in place to avoid abuse by leaving out certain sectors by some parties. For CORSIA, if they use credits and the country NDC then cannot use credits in their achievements as it is double counting.

Q4. What kind of infrastructure do you use to coordinate and communicate NDC implications of financing and project elements?

A4. Sarr:

- We have the National Climate Change Committee that has a focal point for each sector and manage these aspects for NDC achievement.
- Several workshops for the readiness programs targeting local communities for information dissemination.

Q5. How many hydroelectric mini grids. More information please?

A5. Hoch, PCG:

- There are concerns around hydro, but this has nothing to do with CDM. One needs to discuss safeguards. CDM doesn't have any which is a political decision. The problems are intrinsic to large scale infrastructure development.

- The Ethiopia hydro dam is not part of the CDM. Ethiopia is almost 100% on grid renewable which makes it difficult to further reduce more.
- For Africa, there is little data especially for off grid data, so you have to make many assumptions which is a headache.
- Simplifying the CDM was tackled in Nairobi since 2006. We need to ensure continuity for revenue expectations.

Q6. About the policy brief, CDM projects are low in Africa, what features of Art 6 should be changed to address this?

A6. Sarr, :

- We have been reforming the CDM by streamlining some methodologies and procedures. These should be capitalized in Arti 6. Unfortunately in the meetings so far, we could not finalize this.

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English:

[https://www.carbon-markets.go.jp/en\\_info-2/en\\_info\\_event/y\\_2018/cop24-reports/](https://www.carbon-markets.go.jp/en_info-2/en_info_event/y_2018/cop24-reports/)