

# Promoting the CDM in Africa

Global carbon market outlook and regional context

Keynote address  
Opening ceremony

Training-Workshop on CDM Post-registration Changes (PRCs)  
and Programme of Activities (PoAs)  
12-14 February 2014 - Pretoria, South Africa



## Talking points

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- Global carbon market developments
- Regional context of the CDM in Africa
- Strategy for promoting the CDM in Africa
  - a) Nairobi Framework
  - b) Regional Collaboration Centers



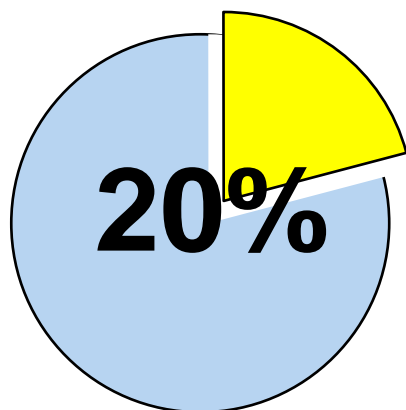
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# Global carbon market developments



## Global carbon market developments – key messages

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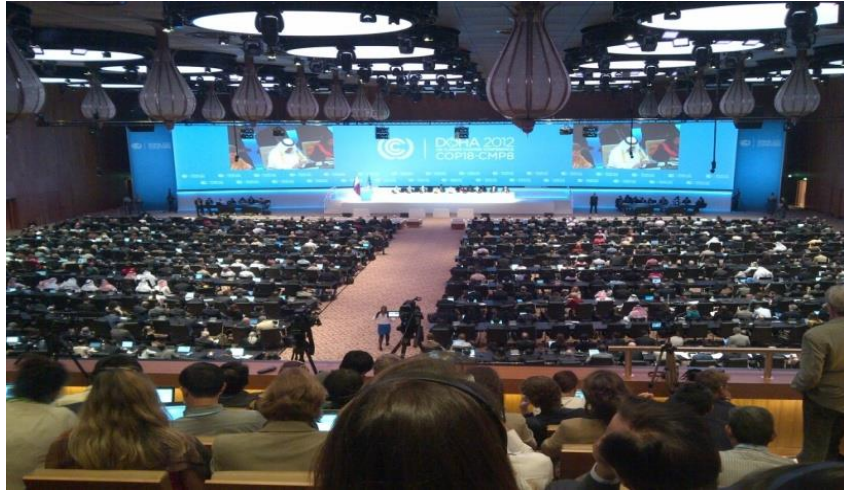


- Carbon markets are emerging as the policy tool of choice in addressing emissions.
- The demand for offset credits is shifting away from buyers with compliance obligations under the EU ETS, and towards a broader range of buyers.
- The role of the CDM within the emerging international climate system remains to be clarified.
- A universal framework is important to create common rules to safeguard environmental integrity and avoid double counting
- Financial support initiatives for projects with strong sustainable development impact are gaining momentum



## UNFCCC negotiations overview

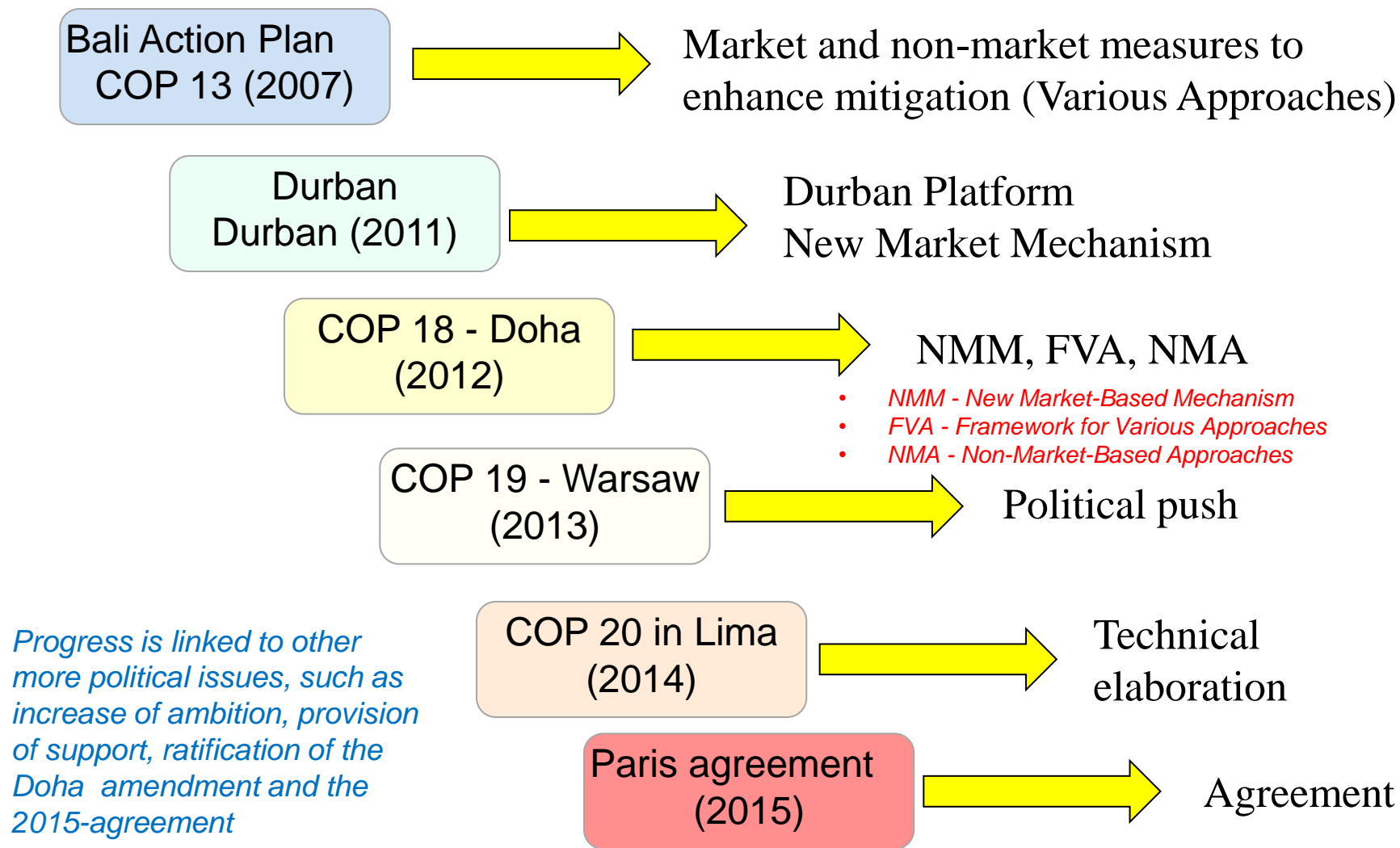
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- 2 degree target → 50-85% emission reduction by 2030
- Business as usual → Average 6°C temp increase
- Progress? Kyoto (15%) → Cancun (85% voluntary) → Durban (100% universal).
- Durban Platform (2011): Adopt agreement by 2015.  
Implement by 2020.  
*“...with legal force for all parties...”*



## New mechanisms negotiations



## Framework for Various Approaches (FVA)

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- Emerging as a coordination type mechanism to oversee & facilitate the international aspects of market-based and non-market-based approaches, including the generation of internationally tradable mitigation units and outcomes that can be used for compliance under the UNFCCC
- It is “the glue” to connect disparate approaches to mitigation

### *Why is the framework important?*

- It can create common rules to safeguard environmental integrity and avoid double counting
- It could increase the size of the global carbon market and introduces new types of fungible units to serve different needs





- The CDM will continue operation throughout the second commitment period of the Kyoto Protocol (to 2020)
- Both CDM and JI are undergoing major revisions – may be used to make them fit for post-KP operations
- ADP invited all Parties to “promote the voluntary cancellation of CERs, without double counting, as a means of closing the pre-2020 ambition gap”
  - broadening of CDM use beyond the Kyoto Protocol
- The role of the CDM to meet emission targets beyond 2020 is being negotiated

## EU 2030 Climate & Energy package

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- 2030 climate and energy package: GHG reduction target of -40% from 1990 proposed (EU Parliament to decide)
- EUETS target of -43% from 2005.
- Aggregated EU renewable energy target of 27% by 2030.
- No imports of international credits after 2020 but seeks linkage with other mature and robust carbon markets.
- EU ETS oversupply to remain:
  - 2012: 2 billion surplus
  - 2020: 2.6 billion EUA projected at ~5 EUR/unit
- Backloading just releases the surplus allowances later.
- Surplus is sufficient to fill the gap between BAU emissions and target till 2030 (no effort needed).
- Creation of a “market stability reserve”: (i) remove 12% of allowances from the market if more than 833 million are in circulation (ii) release allowances if less than 400 million in circulation.



## Other carbon markets – design and deployment plans

### California and Quebec ETSs



- *Development in regional ETSs in North America continues with linking between California and Quebec*
- *First year of operation of the Californian ETS: 81 million tonnes allowances sold for 2013; additional 36 million tonnes sold for future years. Average price: \$11.63 per tonne for a total of 1.37 billion USD in revenue.*
- *Up to 8% of obligation under Californian scheme can be met with CARB offsets. Yearly demand up to 26 million.*
- *So far, 3.7 million offsets issued (55% from forestry).*

- *Five (out of seven) regional/municipal ETSs have started in China: Shenzhen, Beijing, Shanghai, Guangdong, Tianjin.*
- *All schemes include the distribution of free allowances and the use of “CCERs”*
- *Potential annual demand for offsets could range from 50 to 100 million per year.*
- *Clarity on the link between CER and CCER is needed to avoid double-counting of emission reductions*

### China pilot schemes



## Other carbon markets – design and deployment plans

### Korea ETS Plan



- *Basic plan from the Ministry of Environment: ETS to cover 500 emitters (~60% of Korean emissions), aiming at 30% below BAU by 2020.*
- *Current limit to offset use: 10% of ETS cap (~36 million per year). Only domestic offsets from 2015 to 2020. From 2021 onwards, international offsets can compose half of the overall offset cap*
- *Uncertainties around offset supply: registered Korean CDM projects could supply ~20 million per year, but these are mostly from industrial gas projects*

- *Senate approved a carbon tax on fossil fuels (5 USD per tonne) entering into force on 1 January 2014*
- *Expected revenue of 1 billion USD*
- *Entities covered can (i) pay the tax or (ii) surrender domestic CERs (only from projects hosted in Mexico) worth the same value at the “reference price”*
- *Current registered Mexican projects can supply 20 million tonnes*
- *A similar system (tax & offsets) is being developed in South Africa*

### Mexico: carbon tax law with CER flexibility



## Financial support initiatives for CDM projects

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- UK to buy 83 million USD worth of CERs from LDCs for cancellation



- Norwegian government to buy 30 million CERs from “stranded” CDM projects.



- The Swedish Energy Agency intends to contract up to 10 million CERs that are generated within the eight years of the KP’s 2nd commitment period (2013 to 2020), on a forward basis with payment-on-delivery terms.

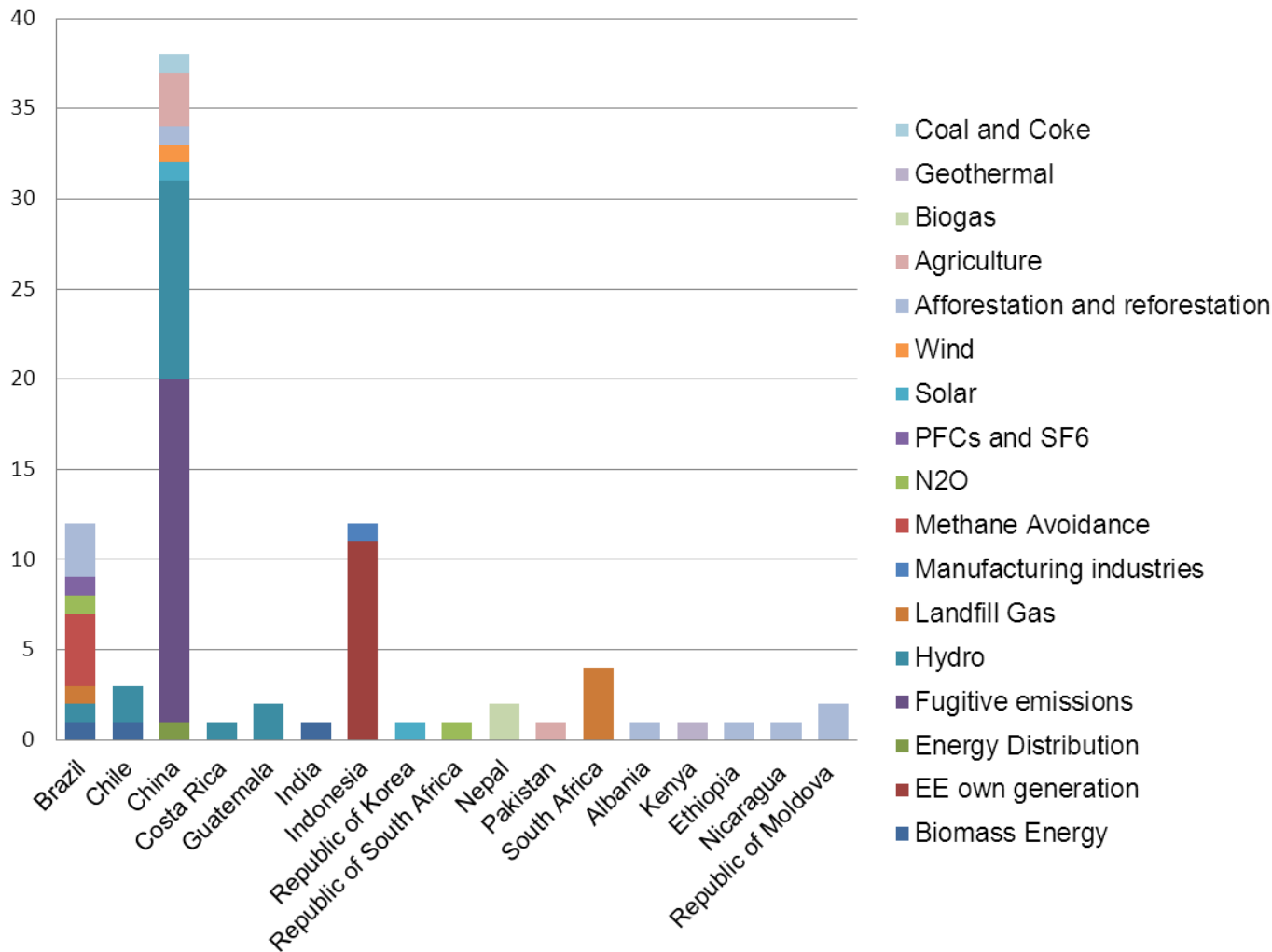


- The “Future of the carbon market” Foundation of the German government provides start-up finance via upfront payments on carbon credits; focus is on CDM PoAs, but similar approaches may also be eligible, if they are aligned with the funding criteria



# Voluntary Cancellation of CERs

## - CDM projects per host country and type



Source:  
UNFCCC, 1<sup>st</sup>  
January 2014

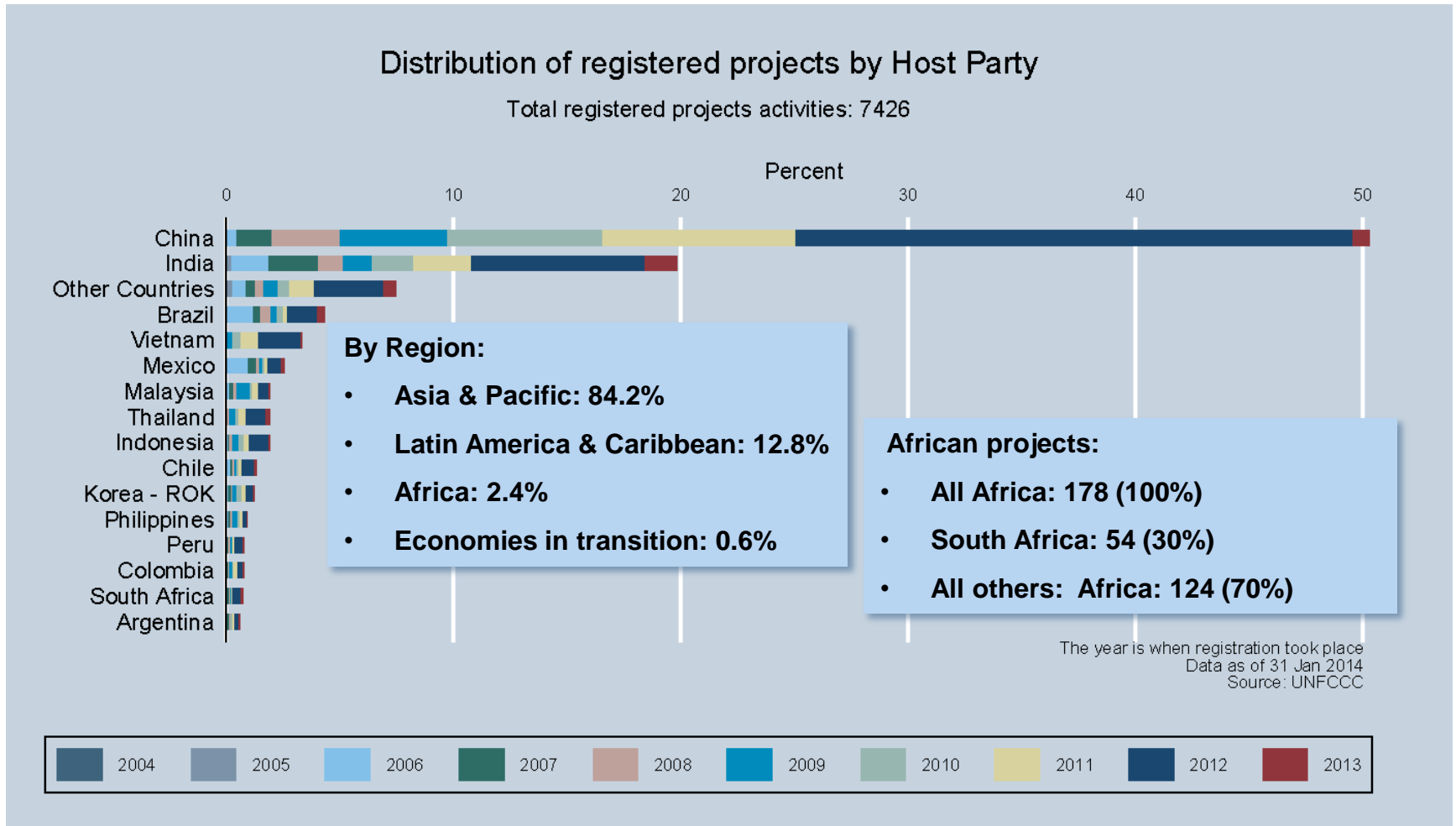


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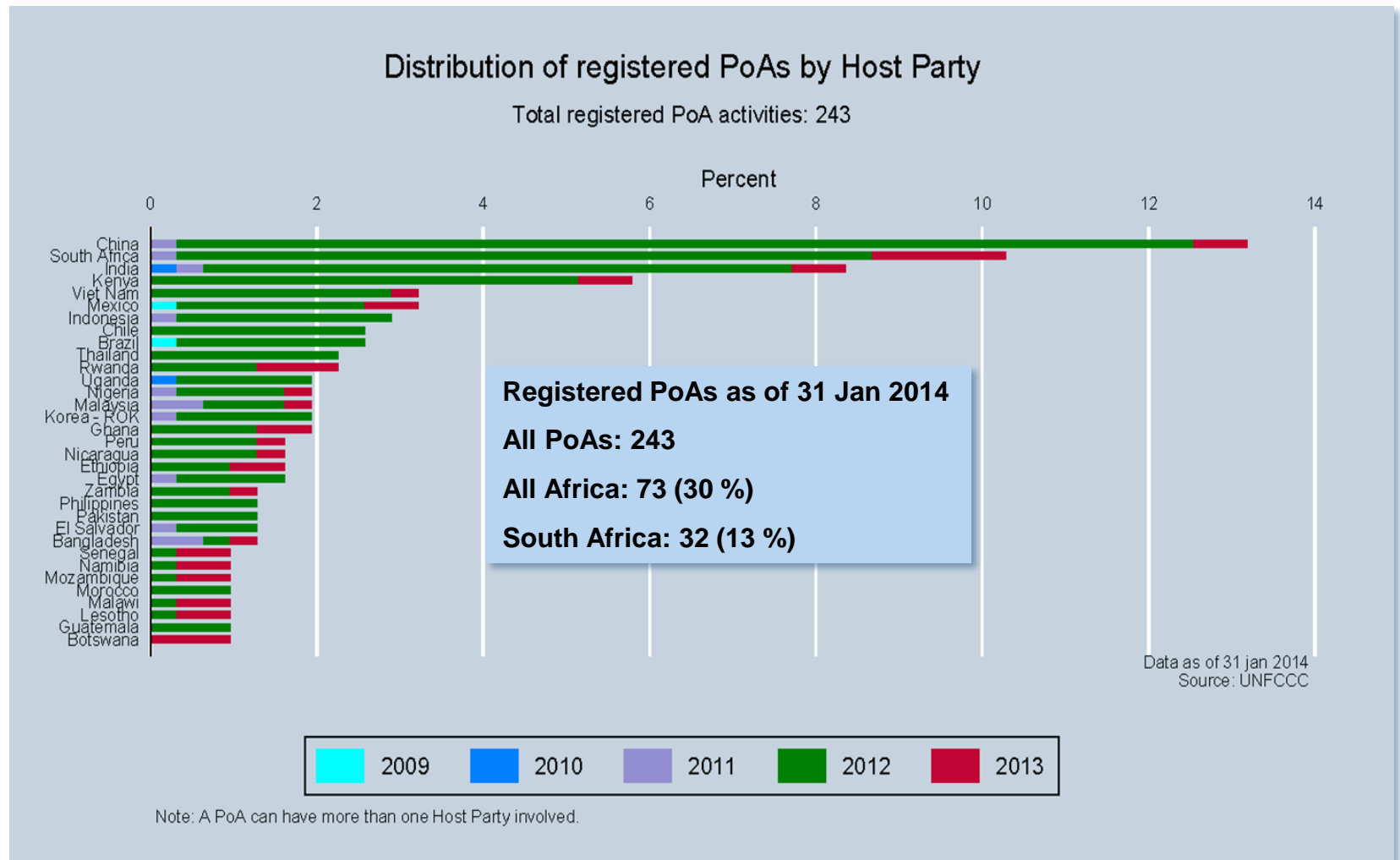
# Regional context of the CDM in Africa



# Distribution of CDM registered projects by Host Party



# Distribution of registered PoAs by Host Party



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# Strategy for CDM promotion in Africa



## The Nairobi Framework Partnership

- Background
  - ✓ Regional distribution of CDM has been an issue since CMP 1 in 2005
  - ✓ Initiated by the UN Secretary General - **Kofi Annan** - during **CMP.2 in 2006**, in Nairobi,
- Founding partners: The World Bank, UNDP, UNEP (with UNEP Risoe Centre), African Development Bank (AfDB), UNFCCC secretariat (coordinates the NFP)
- Other partners – other UN agencies (UNCTAD, UNITAR)
- Collaborating agencies – IETA, ADB, IGES, IADB
- **Goal**: supporting developing countries, especially those in sub-Saharan Africa, to improve their level of participation in the clean development mechanism (CDM).



## Current areas of focus:

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- Capacity building for **mitigation in general** (**climate smart agriculture-WB, bioenergy-UNCTAD, low carbon development-UNEP**)
- **Standardized baselines** (and PoA) because of their potential for NAMA (UNDP, IGES)
- Already **existing projects to support CDM** development (Risoe, ADB)
- **Emerging markets and mechanisms** (all)
- **Linking carbon trading schemes** (IGES, ADB, UNFCCC)
- Development of **finance facilities, analysis and reports** (WB, IADB, Risoe, UNFCCC thru the CDM Loan Scheme)
- **Africa Carbon Forum 2014 (in South Africa)**



# Regional Collaboration Centres – mandate and work areas

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## CMP Mandate

- In Decision 5/CMP.8, the CMP welcomed the establishment by the UNFCCC secretariat of **regional collaboration centres** to promote the CDM in regions underrepresented in the CDM and to support stakeholders at the regional and national levels

## RCC Core activities:

- Direct support to the **identification and development of potential CDM Project Activities and Programme of Activities (PoAs)** and to projects requesting registration and issuance of CERs
- Direct support to the **development and submission of proposals for standardized baselines**, including development of projects that could benefit from such standardized baselines

***Four RCCs established to date – Lomè, Kampala, Grenada, Bogotá***



# RCC-supported countries in Africa

	RCC Lomé	RCC Kampala
1	Algeria	Angola
2	Benin	Botswana
3	Burkina Faso	Burundi*
4	Cameroon	Comoros*
5	Cap Verde	Egypt
6	Central African Republic (CAR)	Equatorial Guinea
7	Chad	Eritrea
8	Congo (Republic of)	Ethiopia
9	Democratic Republic of Congo (DRC)	Kenya
10	Djibouti	Lesotho
11	Gabon	Libya
12	Ghana	Malawi
13	Guinea	Mauritius
14	Guinea-Bissau	Mozambique
15	Ivory Coast	Namibia
16	Liberia	Rwanda
17	Madagascar	Seychelles
18	Mali	Somalia**
19	Mauritania	South Africa
20	Morocco	South Sudan**
21	Niger	Sudan
22	Nigeria	Swaziland
23	Sao Tome & Principe	Tanzania
24	Senegal	Uganda
25	Sierra Leone	Zambia
26	The Gambia	Zimbabwe
27	Togo	
28	Tunisia	



\* currently supported by RCC Lomé \*\*No DNA



## RCCs in Africa – project pipeline and achievements so far

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### RCC Lome

- Operational since Jan. 2013
- Portfolio of **290** projects/PoAs; **30** projects directly supported, **12** projects moved to the next stage
- Assisted in setting up DNAs in some countries and submission of grid emission factor standardized baselines

### RCC Kampala

- Operational since May 2013
- Portfolio of **609** active projects/PoAs, **57** projects directly supported; **6** projects moved to the next stage
- Leveraged significant amount of technical assistance funding through its capacity building initiatives



## RCC Areas of Focus

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- **Direct project support** - one-to-one assistance to stakeholders in moving projects through the project cycle including assistance in securing host country LoAs.
- **Development of Standardized Baselines** - assistance to DNAs and stakeholders in identifying opportunities and submission of proposals for SB development to scale up the CDM and reduce transaction costs
- **Capacity building** – focused training workshops to provide stakeholders a broad-based and up-to-date knowledge of carbon market processes
- **Facilitate financing of projects** – assistance to stakeholders to take advantage of donor-funded carbon purchase schemes
- **Facilitate PoA business opportunities** – assistance to CMEs in expanding PoAs through linking up with potential CPA implementers and DNAs of additional host countries
- **Partnerships with development agencies** - joint undertaking of capacity building and other initiatives to promote CDM in order to optimize limited resources



# Thank you

Contact us at the:

RCC Kampala: [rcckampala@unfccc.int](mailto:rcckampala@unfccc.int)

UNFCCC secretariat: [info@unfccc.int](mailto:info@unfccc.int)

