Combining Climate and Sustainable Development

Why a Clean Energy and Development Investment Framework?

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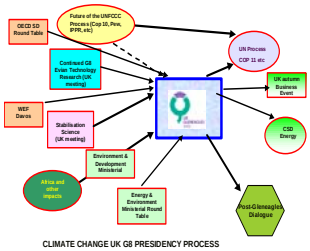
African Development Bank Side Event,
Acaccia Room
Nairobi, November 2006

The Context: where does it come from?

G8 invitation to World Bank and RDBs Included:

- **Describe current activities;**
- **Analyze barriers;**
- **Propose financing portfolio increments;**
- **Explore new mechanisms; and**
- **Develop Work Programme.**



CLIMATE CHANGE UK G8 PRESIDENCY PROCESS

Adaptation *and* mitigation

Now, a Multilateral Process:

• Work approved at WB development committee,

• Progressing at AfDB, IADB, AsDB, EBRD and WB.

• Key element of discussion in Monterrey, Mexico, with Stern review
- **More costly not to act than act**
- **Potential for co-benefits and local development impacts**
- **Opportunity for Government Action**

• Discussed at regional meetings in Latin America, Asia

–an Africa CEIF discussion urgent!

Combining Climate and Sustainable Growth

Why a Clean Energy Investment Framework?

- **Climate change is a problem with significant impacts in Africa – Region quite vulnerable.**
- **Countries must adapt and mitigate causes while insuring growth**

  This requires a supportive environment – from both policy *and* financial.

  Goal: assure a climate resilient, modern energy and low carbon future for all.

- **African countries have been at the forefront of attempts to link climate concerns, carbon finance mechanisms and sustainable development.**

  Africa has pioneered new approaches to finance low carbon programs **and energy**

  African Countries have been instrumental in climate change negotiations

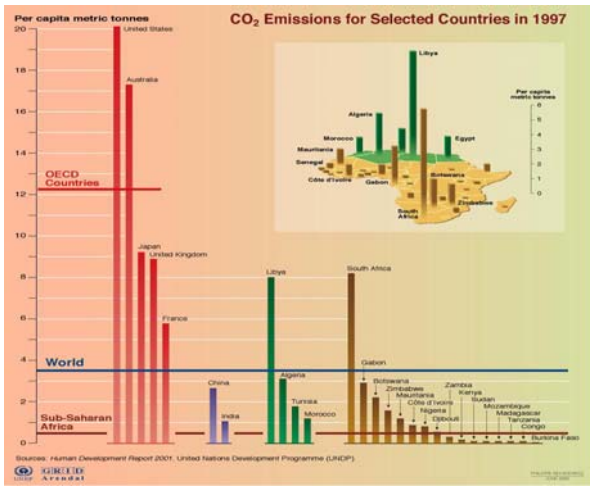
- **African Development Bank can play a key role in continuing to advance such a vision**

Presentation:

- ❑ How did the Energy Investment Framework concept come into being: context and developments
- ❑ An overview of the continent's emissions & climate impacts
- ❑ A conceptual framework for a clean energy investment framework
- ❑ Outline some of country proposals, and examples of country activities
- ❑ The opportunity to start a region based discussion

Africa – Mitigation and Adaptation

A diverse landscape -and not all countries are the same.



A Few… Libya, South Africa have the highest per capita emissions,

Some…Algeria, Gabon, Botswana, Zimbabwe and others have midlevel emissions.

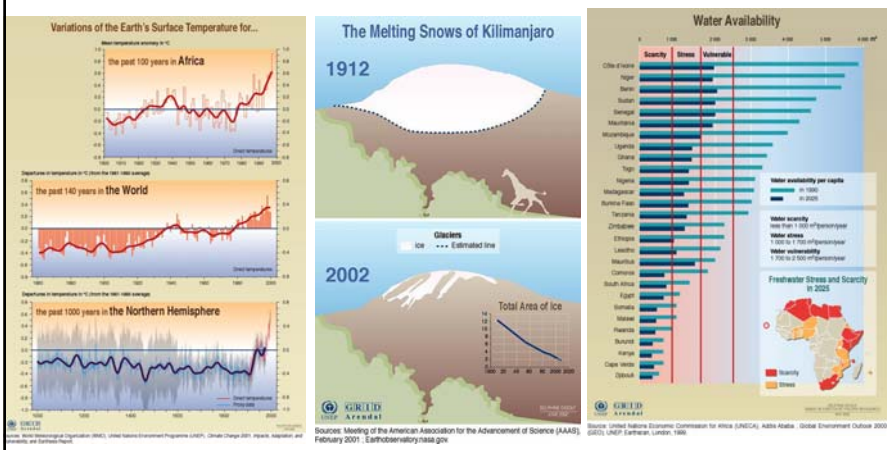
Most…There is a significant amount of countries were per capita emissions are negligible.

But Impacts will be significant: Adaptation will be required

SO…the response: to support growth, access, mitigation and adaptation will need to be combined:

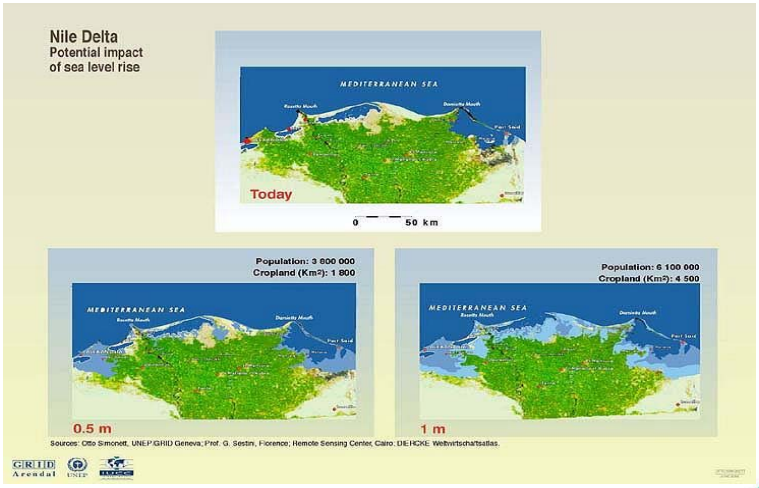
- Development Strategy
- New financial Mechanisms.

Climate Change Impacts –Water



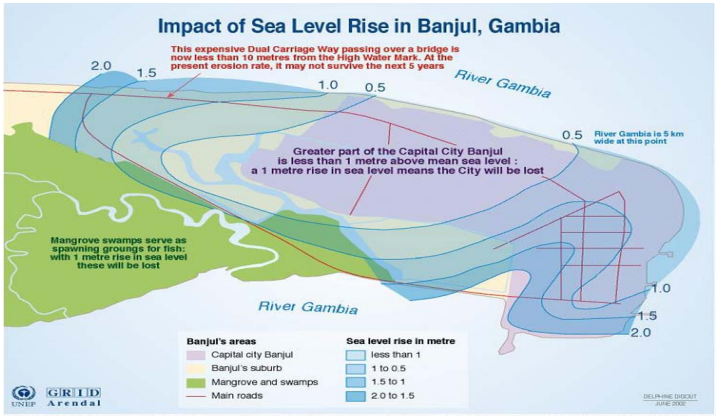
As temperatures rises, water availability will become increasingly scarce,

Climate Change Impacts – Agriculture



Sea level rise will also add impacts on agriculture…

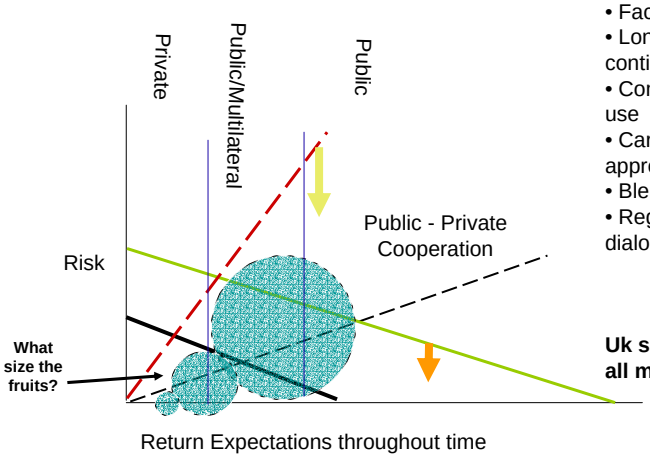
Climate Change Impacts – Infrastructure



Sources: *Coastal Zone of the Gambia and the Abidjan region in Cote d'Ivoire: Sea Level Rise Vulnerability, Response Strategies, and Adaptation Option, National Assessment Results of Climate Change: Impacts and Responses*, Jallow, B.P., S. Toure, M.M.K. Barrow, and A.A. Mathieu, Mimura, N., Oldendorf Luhe, Inter-Research, Germany, 1999.

while Infrastructure will also be affected.

The EIF role: a concept



Some key Ideas.

- Facilitating investment
- Long term market and carbon continuity
- Complementarity and strategic use
- Carbon finance and programmatic approaches,
- Blending finance
- Regional approaches and Country dialogue

Uk supporting work at WB and at all major RDBs.

This also has a basis on a key Africa UNFCCC Proposal:

Sustainable Development, Energy Access *and* Low Carbon

Sustainable development (SD) policies and measures (PAMs)

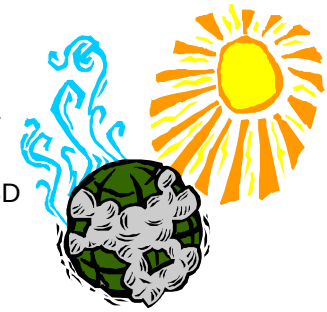
Build climate change policy on SD priorities

- Developing countries pre-occupied with basic development needs; climate change not a priority
- commit to implementing SD

Basis in Article 3.4 of the Convention – right to SD

Starts from desired future state of development

- But also significantly influences emissions



Hypothesis:

Achieving development more sustainable also limits GHG compared to conventional development

An Energy Investment Framework is crucial to achieve this!

An Example - South Africa

Combining Human Development needs with Energy policies

Human development policies - Reconstruction and Development Programme (RDP)

- Land reform: 30% of land redistributed
- Housing: wipe out backlog of 2-3 million houses
- Water: 25 l / p / d free, 50 l in long-term
- Health: free health services for under-5 year olds
- Energy services: electrifying 2.5 million households

Macro-economic policy

- Growth, Employment and Redistribution

Energy Policy

- Improving energy governance
- Increasing access to affordable energy services
- Stimulating economic development
- Managing energy-related environmental impacts
- Securing supply through diversity

Taking advantage of synergies - Housing

Development objectives
- remove backlog of 2.6 million households

Stated policy
- annually build 300 000 'high efficiency houses'

Possible shift to more sustainable development path
- All new houses built with energy efficiency interventions
  - Insulation, ceilings, orientation, window size
  - Barrier is pressure on subsidy; enforce through codes
  - Incremental cost ~R 2000 / household – needs incentive
- Local benefits
  - Energy savings to household
  - Increased thermal comfort
  - Reduced indoor air pollution

Potential GHG emission reduction
- 50 – 600 kt CO_2-eq across all houses over period – up to 4 US$ million in carbon finance

How to make the most of such and approach?

Clean Energy Investment Framework

Africa has pioneered combining energy programs, human development, and revenue arising from lower carbon emission reduction sales.

Examples

- Kuyasa low cost urban housing upgrade (Khayelitsha, Cape Town; Meth. 079)
  - Thermal Energy for User
  - Demand Side Energy Efficiency
  - Efficiency and Fuel Switching measures.

An idea with traction?

- Mandatory Air Conditioning Standards – Ghana (NMC079 - under consideration).
- Energy Efficient lighting retroffitting – Ghana as well

Approved at Montreal!

Paragraph 20 – CDM decision (reductions must be proved)

But…

- Africa has only 10 CDM pipeline projects
  - South Africa (Lawley fuel switch, Kuyasa)
  - Morroco (Tuan and Essouaia wind)
  - Egypt (several others)
- Losing out from a US$ **3-4 billion** market from now until 2012
- Massive needs remain for modern energy, human development and adaptation.

Crucial Problem: no mechanisms to make needed investments happen

Regional Ownership – some experience

This process have had an embedded regional consultation process; not a single EIF, but a number of them joined up together.

Regional ownership – serve interests on countries in different regions.

Regional Meetings

Opportunities in Mainstreaming Low carbon (ECLAC/IADB -Latin America)

Mainstreaming Investment with Flexible Instruments (ESCAP/ASDB –Asia Pacific),

BASIC Workshop Meeting (+5 Countries, Brazil (August 2006);
WIRE meeting Brazil (G20, September 2006)

What About Africa?

Opportunity for similar actions; AfDB starting process

Engage African sub regional institutions: ECA, NEPAD, etc.

This is an African process, and must be discussed first by Africa.

Combining Climate and Sustainable Growth

So, why a Clean Energy Investment Framework?

Existing Energy investment and Financing Mechanisms not working at the level and speed required to meet needs.

What is needed is an investment framework which can be expanded to other areas: access to energy, energy efficiency, transport, renewable energy and a transition to a lower carbon future more generally.

To sum up:

- ❑ An effective Clean Energy Investment Framework tailored for Africa can help combine human development, energy and sustainable long term growth
- ❑ And help garner additional revenue streams through the generation and sale of carbon emission reductions
- ❑ Tailored through a sub-regional consultation process to respond to specific challenges
- ❑ While creating the conditions to adapt to a changing climate

Further Information?

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