African Development Bank

Nairobi Framework Partners

Side Event

The Way Forward and Facing New Challenges –

AfDB Carbon Finance Activities

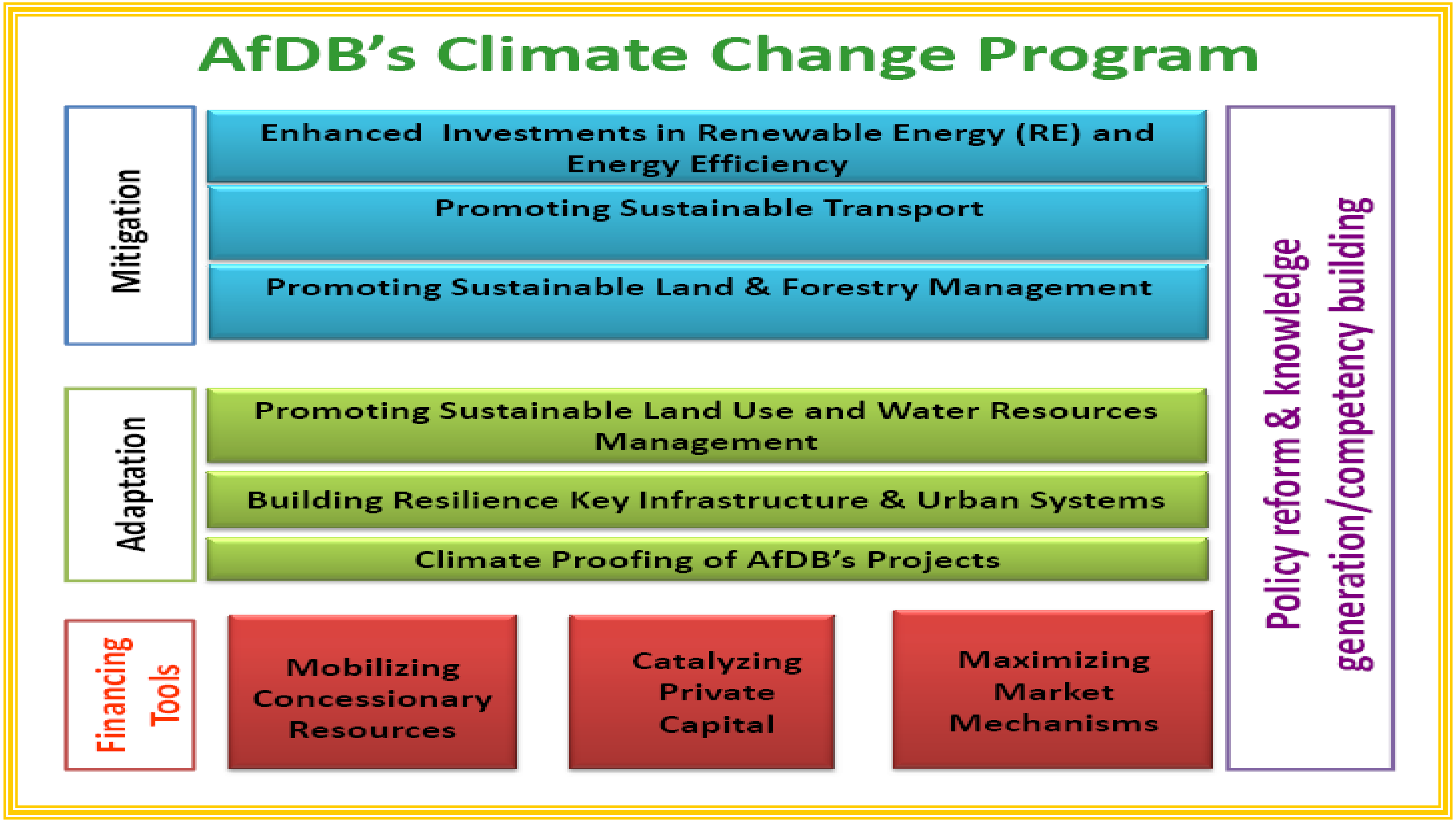
December 1, 2010

AfDB’s Experience

- Sustained demand from clients for assistance to access carbon finance; this indicates a lack of technical capacity and financial resources to support the process.
- Minimal participation of project developers in Africa in the CDM market
- Rigorous investment appraisal procedures in the CDM that often times do not coincide with project developers time constraints
- Lack of capacity in government agencies in handling the CDM process.
- Uncertainties in the carbon market post 2012 is not very encouraging to project developers. Carbon has to have a predictable price that serves as an incentive.
- Carbon finance has also taken center stage in the Bank’s activities; more attention is being given to projects with carbon reduction components.

AfDB’s Response

Overview of AfDB’s Response:



AfDB's Response

Policy Reforms & Strategy Development: Creating an Enabling Environment for Climate Change

Completed:

- **Clean Energy Investment Framework (2008)**
- **Climate Risk Management and Adaptation (2009)**
- **Agriculture Strategy (2010)**
- **Capacity Development Strategy (2010)**

Proposed for 2011

- **2011-2015 Climate Change Action Plan**
- **Energy Policy**
- **Energy Strategy**
- **Urban Development Strategy**

AfDB's Response

Financing Instruments: For Mitigation and Adaptation

Under Implementation Phase:

- African Carbon Support Program (ACSP)
- Regional Capacity Building Activities on REDD+
- Climate for Development in Africa (ClimDev-Africa)
- Global Environment Facility (GEF)
- Congo Basin Forest Fund (CBFF)
- Clean Energy Bonds
- Climate Investment Funds (CIF)

Under Design Phase:

- African Carbon Facility
- African Green Fund
- Sustainable Energy Fund for Africa

AfDB's Response

Specific Initiatives for the Clean Development Mechanism:

African Carbon Support Program (ACSP)

Objective: Promote investment opportunities for CDM projects and Capacity Building
Target Countries: Multinational, countries with eligible projects
Status: Program is under implementation

Activities:

- Preparation of documentations for the CDM process
- Hands-on training for DNAs as necessary for identified projects
- Initiate the development of relevant methodologies and data like emission factors to broaden the scope of CDM in Africa.

Expected Outcomes:

- 6-8 investment projects make use of carbon finance by end 2012
- 3 DNAs receive capacity building up to operational level by end of 2011

Available Funding: 1.76 million USD

AfDB's Response

Specific Initiatives for the Clean Development Mechanism:

Capacity Building on REDD+

Objective: **Build DNA Capacity and Provide Avenues for Information Sharing**
Target Countries: **SADC, ECOWAS, other Anglophone countries**
Status: **Program completed**

Activities:

- **Training workshops for DNA**
- **Interactive information sharing sessions for DNAs**

Outcomes:

- **2 training workshops with 34 attendees**
- **1 information sharing session, 13 DNA staff were sponsored from Lesotho, Gambia, Malawi, Zimbabwe, Kenya, Ghana, Swaziland and Ethiopia**

Available Funding: **298,500 USD**

AfDB's Response

Specific Initiatives for the Clean Development Mechanism:

AFRIPEN & GTIEA

Objective: To promote investment opportunities for CDM projects

Target Countries: Uganda and Kenya

Status: Project under implementation

Activities:

- Feasibility studies for cogeneration projects in the sugar industry
- Feasibility studies for small hydro plants for tea industry

Expected Outcomes:

- Production and transmission of electricity from clean energy sources

Available Funding: 10 million USD (GEF funding)

AfDB's Response

Initiatives under design:

African Carbon Facility (ACF)

Purpose: To address different supply and demand barriers to CDM in Africa

Activities:

- Provide seed capital to fund CDM projects
- Provide financial guarantees to CER buyers in the absence of functioning market post 2012
- Provide debt financing to CDM projects and leveraging AfDB debt finance windows.

AfDB’s Response

Activities under design:

African Green Fund (AGF)

Key Principles:

- African leaders request that at least 40% of the resources pledged (US$100 billion by 2020) under the Copenhagen Accord be allocated to Africa and that this allocation be managed by the African Development Bank.
- The Fund shall provide flexible instruments including grants and concessionary loans to support public and private sector investments in Africa. The Fund will complement the activities of other global funds.
- Recognized entities operating in the continent, such as the MDBs including the AfDB, national governments, etc. shall serve as implementing/executing agencies for the Fund .
- The African Development Bank will serve as Trustee for the AGF.

AfDB's Response

Activities under design:

Sustainable Energy Fund for Africa (SEFA)

Purpose: To offset project preparation costs for Renewable Energy projects

Activities:

- Provide equity investments.
- Provide technical assistance for SME renewable energy project preparation.
- Part of the Fund will be outsourced to a fund manager to finance larger RE projects.

AfDB's Response

Recent projects :

- Madagascar: Sahanivotry hydroelectric Power Station
  15 MW installed capacity
  Madagascar first registered CDM project

- Uganda: Buseruka Hydroelectric Project
  9 MW installed capacity
  CDM registration in progress

- Uganda: Bujagali Hydropower project
  250MW installed capacity

- Cape Verde: Cabeolica Wind Power Project
  25.5 MW installed capacity
  CDM registration in progress

- Egypt: Cairo Taxi Replacement Scheme
  replacing up to 20,000 old taxis
  Approved today by the AfDB Board.