



# Development First: Addressing Climate Change in Africa

Climate Finance: CDM Trends and  
Opportunities for Africa



**teri**

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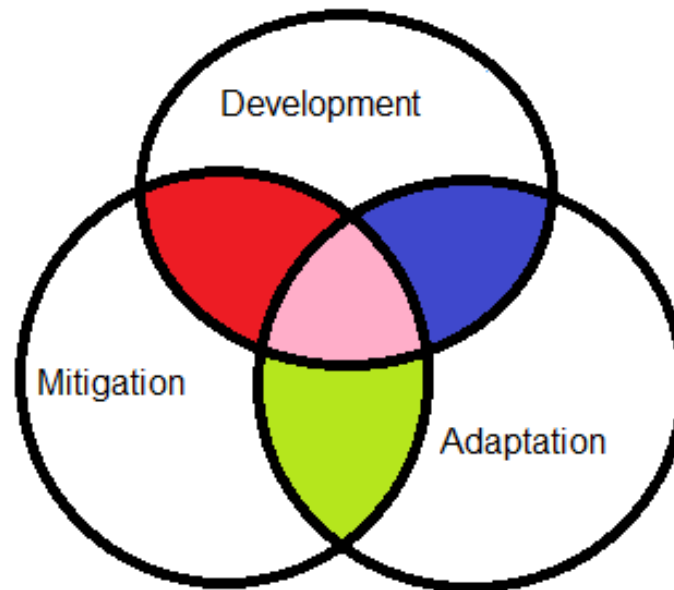
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# Definitions



Finance, Environmental Finance, Carbon Finance,  
Climate Finance.





# Evolution



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- UNFCCC
- Nairobi Framework
- AWG-LCA proposal
- AGF report



# UNFCCC Article 4.7

*“The extent to which developing country parties will effectively implement their commitments under the Convention will depend upon the effective implementation by developed country Parties of their commitments under the Convention related to financial resources and transfer of technology and will take into account that economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties.”*



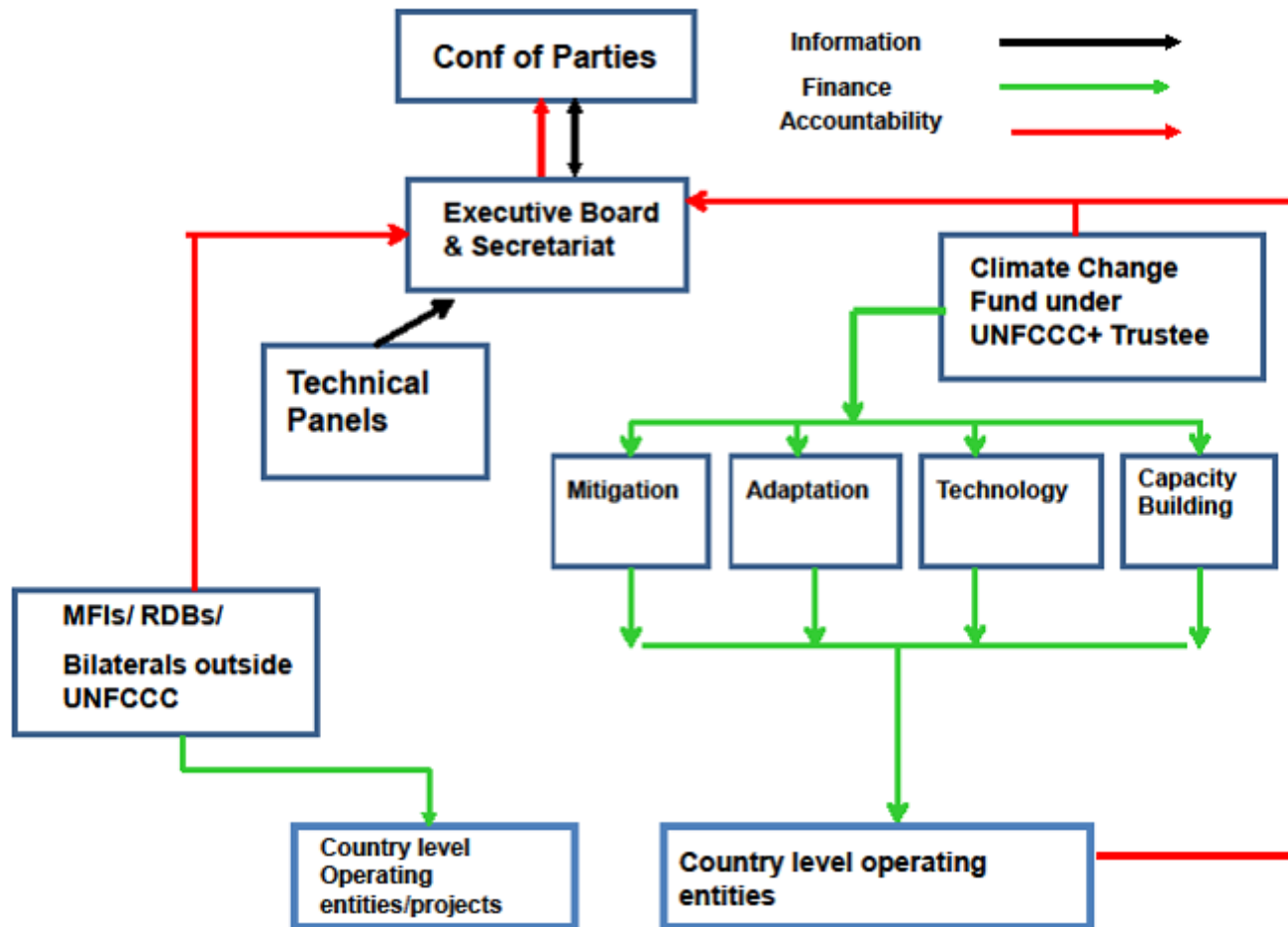
# Nairobi Framework

The Nairobi Framework (2006) - five objectives

- (i) build & enhance capacity of DNAs to become fully operational,
- (ii) build capacity in developing CDM project activities,
- (iii) promote investment opportunities for projects,
- (iv) improve information sharing, outreach, exchange of views on activities, education & training, and
- (v) inter-agency coordination, which are considered to be priority goals to move the CDM forward in the target countries.



# AWG-LCA proposal on financial architecture



# AGF report

- Sources of finance
- World economic conditions
- Project structure and accountability
- Private sector involvement



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# CDM Trends for Africa

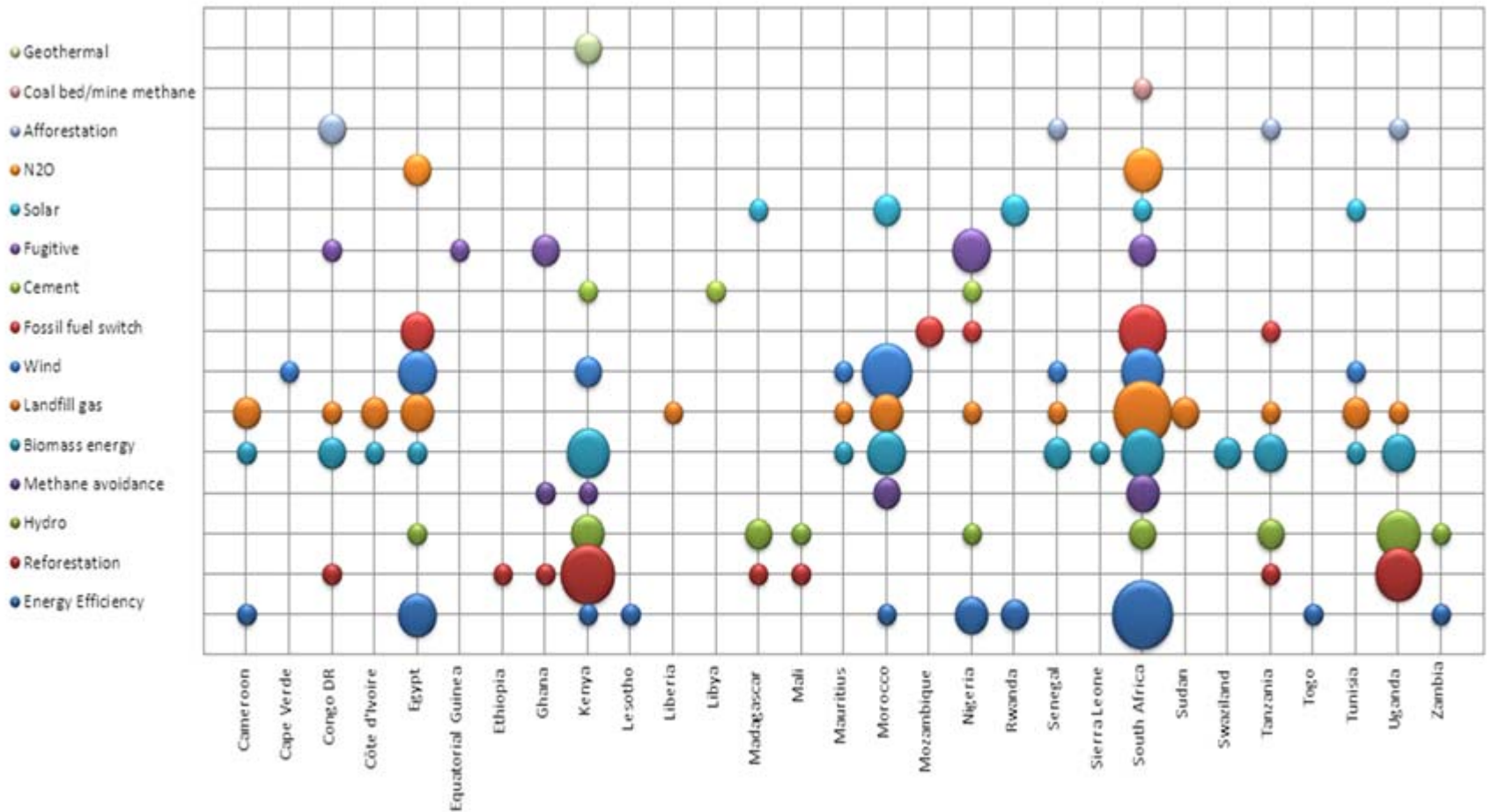
| Country            | Registered |           |           |          |          |           |           | Registered Total |
|--------------------|------------|-----------|-----------|----------|----------|-----------|-----------|------------------|
|                    | 2005       | 2006      | 2007      | 2008     | 2009     | 2010      | 2011      |                  |
| Egypt              |            | 2         | 1         | 1        |          | 3         | 2         | 9                |
| Liberia            |            |           |           |          |          | 1         |           | 1                |
| Morocco            | 2          | 1         | 1         |          | 1        |           |           | 5                |
| Tunisia            |            | 2         |           |          |          |           |           | 2                |
| Cameroon           |            |           |           |          |          | 1         | 1         | 2                |
| Congo DR           |            |           |           |          |          |           | 2         | 2                |
| Côte d'Ivoire      |            |           |           |          | 1        | 1         | 1         | 3                |
| Ethiopia           |            |           |           |          | 1        |           |           | 1                |
| Kenya              |            |           |           | 1        |          | 2         | 2         | 5                |
| Madagascar         |            |           |           |          |          | 1         |           | 1                |
| Mali               |            |           |           |          |          | 1         |           | 1                |
| Nigeria            |            | 1         |           |          | 2        | 2         |           | 5                |
| Rwanda             |            |           |           |          |          | 1         | 2         | 3                |
| Senegal            |            |           |           |          |          | 1         |           | 1                |
| South Africa       | 1          | 4         | 7         | 2        | 3        | 2         |           | 19               |
| Tanzania           |            |           | 1         |          |          |           |           | 1                |
| Uganda             |            |           | 1         |          | 1        |           | 2         | 4                |
| Zambia             |            |           |           |          |          | 1         |           | 1                |
| <b>Grand Total</b> | <b>3</b>   | <b>10</b> | <b>11</b> | <b>4</b> | <b>9</b> | <b>17</b> | <b>12</b> | <b>66</b>        |

# highlighted countries come in the least developed countries category

# CDM Trends for Africa cont..

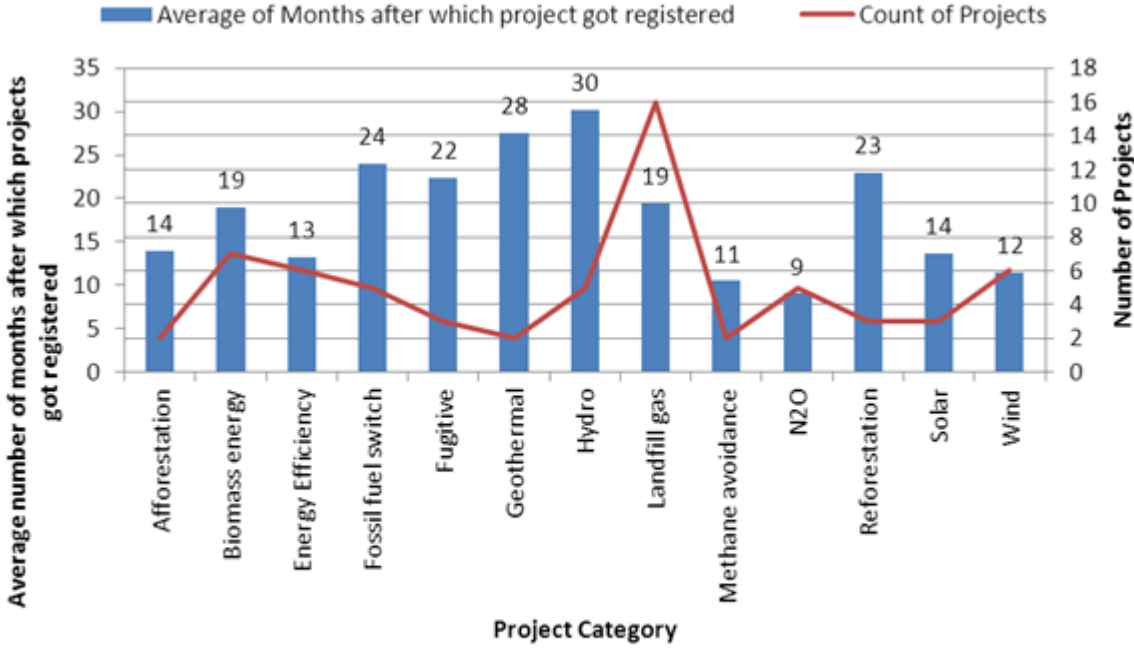
| Project Categories | Africa | Asia & Pacific | Europe & Central Asia | Latin America | Middle-East | Grand Total | percentage share in project category |
|--------------------|--------|----------------|-----------------------|---------------|-------------|-------------|--------------------------------------|
| Aforestation       | 5      | 4              | 1                     | 3             |             | 13          | 38%                                  |
| Reforestation      | 20     | 20             | 2                     | 17            |             | 59          | 34%                                  |
| Fugitive           | 10     | 27             | 13                    | 9             | 7           | 66          | 15%                                  |
| Geothermal         | 2      | 14             |                       | 5             |             | 21          | 10%                                  |
| N2O                | 6      | 50             | 6                     | 11            | 5           | 78          | 8%                                   |
| Landfill gas       | 30     | 200            | 9                     | 147           | 18          | 404         | 7%                                   |
| Fossil fuel switch | 13     | 124            | 5                     | 27            | 19          | 188         | 7%                                   |
| Solar              | 7      | 116            |                       | 8             | 8           | 139         | 5%                                   |
| Cement             | 3      | 66             | 1                     | 9             | 1           | 80          | 4%                                   |
| Biomass energy     | 32     | 782            | 3                     | 231           | 3           | 1051        | 3%                                   |
| Energy Efficiency  | 25     | 1016           | 8                     | 70            | 13          | 1132        | 2%                                   |
| Hydro              | 18     | 1741           | 22                    | 285           | 1           | 2067        | 1%                                   |
| Wind               | 22     | 1627           | 11                    | 94            | 2           | 1756        | 1%                                   |
| Methane avoidance  | 7      | 534            | 7                     | 295           | 9           | 852         | 1%                                   |

# CDM Trends in Africa cont..

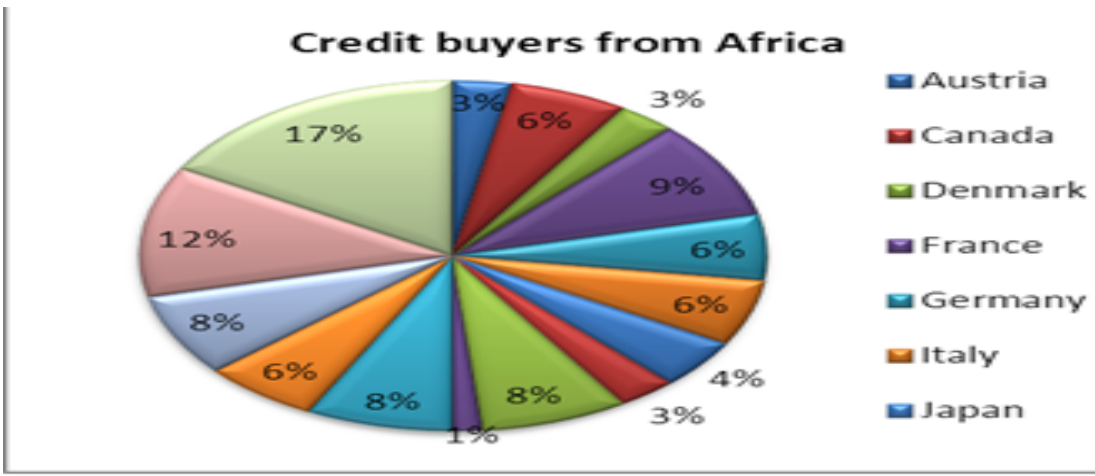


Sectoral and country wide distribution of CDM projects in Africa.

# Trends Cont..



Average numbers of months taken for registration post 'start comment' vis-a-vis number of projects registered per project category



Credit buyers from Africa





# Addressing the challenge of 'scaling up'

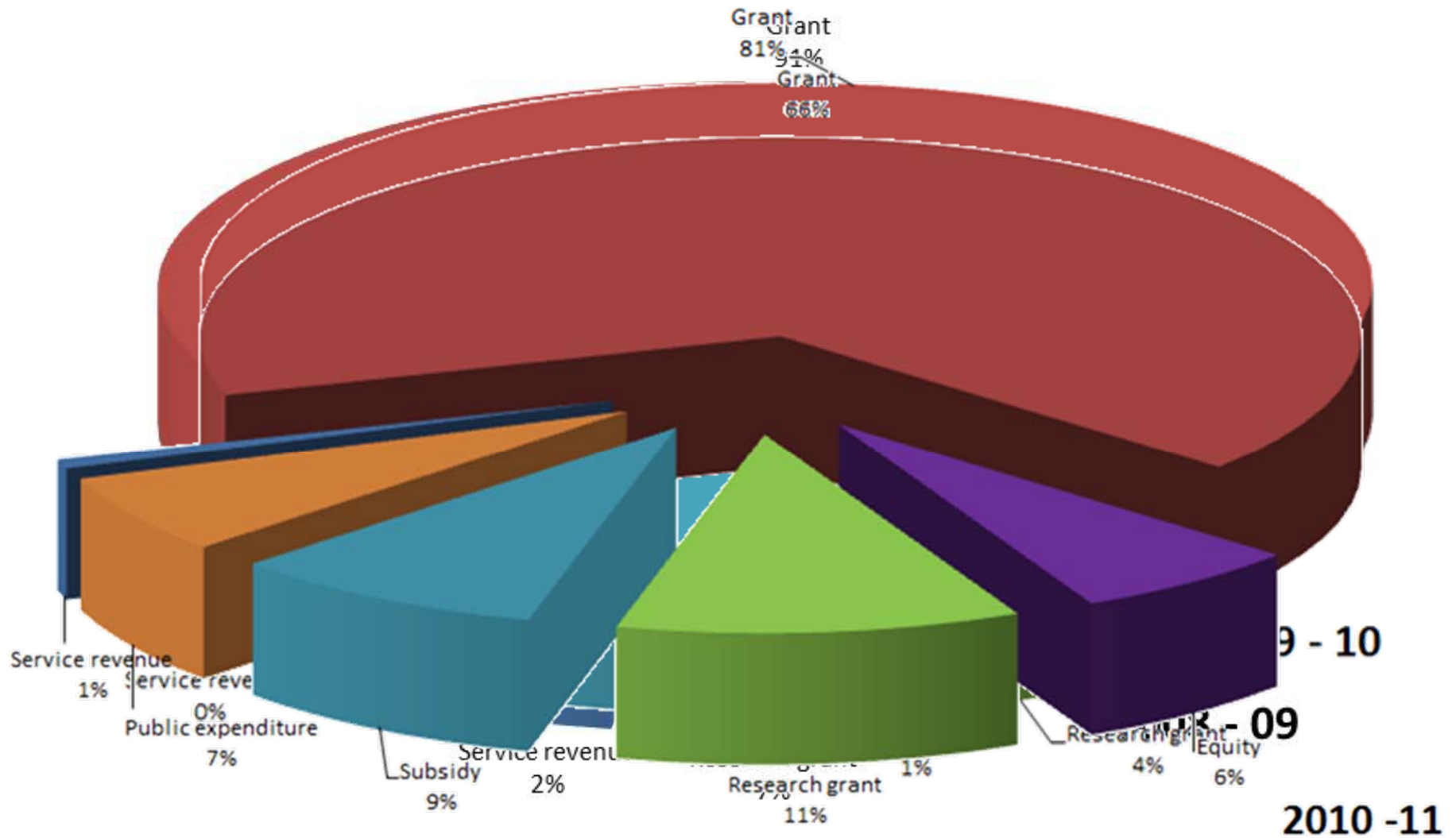
- CDM Trends point to investment opportunities and the need for scaling up
- Domestic Policy drivers as enablers
- Global Institutional structures to provide preferential arrangements based on vulnerability factors
- Scaling up will require innovative financial and business models for attracting investments

# Innovating Financial Mechanism: TERI case study of 'Light a Billion Lives' program.

| Category                     | Definition   | Accountability <sup>1</sup> |
|------------------------------|--|-----------------------------|
| Pure grant                   | Funds given as a part of philanthropic activity (tax exemption or benefits can also be claimed)      | Negligible                  |
| Research grant               | Funds given with a research objective and a tangible outcome is expected (a report, a product etc..) | Low                         |
| Public expenditure / Subsidy | Govt. funds with fiscal objectives.  | Medium                      |
| Loans                        | Funds provided by a bank with a <u>ToR</u> similar to retail lending                                 | High                        |
| Equity                       | User/ community/ entrepreneur contribution towards the project hardware cost                         | Highest                     |
| Service revenue              | Payment for services provided by TERI  | Not applicable              |

<sup>1</sup>This can be inferred as a financial flow gradient, a terminology we have formed using concepts in Information Economics

# LaBL: Inflow analysis – Financial Gradients





Thank You



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