Mitigation of Climate Change
Funding in West Africa

Solar panels (Source: ADEME, 2006)

Summary

Synthesis

Although they are low emitters, West African countries are invited, like all Parties to the UNFCCC, to reduce their Greenhouse Gases (GHGs) emissions, according to their national capacities and circumstances.

Mitigation in developing countries is promoted by the UNFCCC with three tools: Nationally Appropriate Mitigation Actions (NAMAs), Clean Development Mechanism (CDM), and Intended Nationally Determined Contributions (INDCs).

NAMAs are voluntary for developing countries and can cover a variety of sectors: energy, transport, forestry, etc. They are published by the UNFCCC, with the objective to attract funding from the international community.

However, so far, they are no specific guidelines neither dedicated funding. Up to now, only 15 countries have submitted NAMAs to the UNFCCC, and among them, Mali is the only one from the CILSS/ECOWAS area.

The CDM allows developed countries to meet part of their commitments by financing emission reduction projects in developing countries.

Many limitations explain that these projects have benefited little to Africa: carbon price fluctuations, complexity of the procedures, high transaction costs, complicated rules for reforestation, etc.

Finally, the concept of INDC is very recent and it is not yet clear how these contributions will be supported.

The opportunities offered by the UNFCCC for financing adaptation and mitigation actions are tenuous: the target of 100 billion US$/year by 2020 is not credible in the absence of short-term financing and the Green Climate Fund, key element of the financial mechanism of the UNFCCC, is still not operational.

However, outside of the UNFCCC, fundings are available for mitigation, especially in the agriculture and forest sectors: Forest Carbon Partnership Facility (FCPF), Forest Investment Programme (FIP), Global Alliance against Climate Change (GCCA), International Climate Initiative of Germany (ICI), and Japan Initiative for Fast-Start Actions.

In the short term, the West African countries could better benefit from the CDM, by advocating for its adaptation to their national circumstances, as well as from the NAMAs, by requesting the development of guidelines and dedicated funding.

In the medium and long term, in the absence of tangible prospects under the UNFCCC, the integration of mitigation-related goals in the "traditional" projects of donors would probably remain the most obvious opportunity to finance the mitigation in West Africa.

Introduction

After recalling the challenges of mitigation in West Africa, the three UNFCCC tools through which developing countries can finance mitigation are presented: CDM, NAMAs, and INDCS.

Then, outside of the UNFCCC, fundings for mitigation in the land use sector are presented. Finally, opportunities and challenges in terms of funding for mitigation actions in West Africa are presented.

CDM

7,450 projects registered

Approx. 1.5 billion of validated carbon credits

Share of the credits:

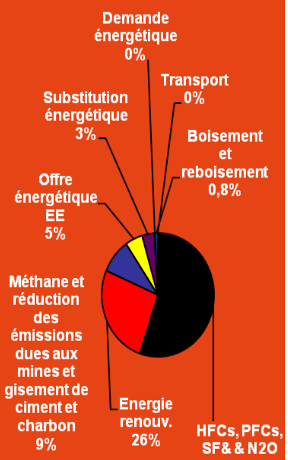

Figure 1 – Share of CDM credits per sector (Source: UNEP Risöe, 2014)

Figure 2 – Price fluctuation from 2008 to 2013 of CDM carbon credits, - expressed in €/tCO2e (Source: CDC-Climat, 2014):

1. Issues at Stake

According to the IPCC fourth assessment report, Africans emit 4.5 tCO_2e/capita/year in average, against more than 16 tCO_2e/capita/year for industrialised countries. African countries are thus low emitters.

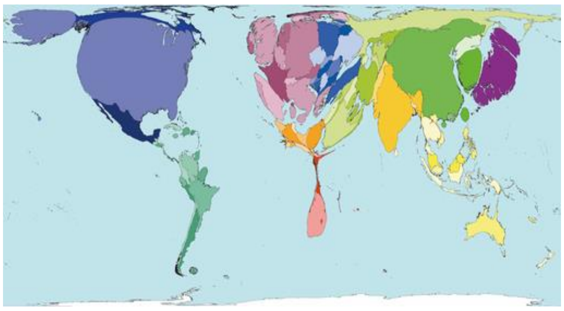

Figure 3 – Areas per countries according to their GHG emissions in 2010 (Source: Univ. of Sheffield, 2014)

However, if the UNFCCC recognises a "differentiated" responsibility of the Parties in terms of historical pollution, it also sets a "common" responsibility: all countries are invited to make emission reduction efforts.

For developing countries, this requires increased financial support, particularly in the area of land use, the main source of GHG emissions in West Africa, based on national inventories of these countries.

2. Climate Funding

2.1. In the UNFCCC: NAMA, CDM, INDC

National Appropriate Mitigation Actions (NAMAs): The Decision 16/CP.1 invites Parties not subject to emission reduction commitments to voluntarily submit NAMAs.

A NAMA should reduce GHG emissions compared to a baseline scenario. NAMAs should be supported and enabled by technology transfer, as well as technical and financial support, and should contribute to sustainable development.

Up to now, 15 countries have submitted NAMAs to the UNFCCC. Among them, Mali is the only one from the CILSS/ECOWAS area (two NAMAs, forestry and energy sectors).

A NAMA registry is online (http://www4.unfccc.int/sites/nama) and aims at facilitating the matching of supports from the international community (technology transfer, capacity building, and funding) with the needs expressed.

However, no dedicated funding is yet in place and no NAMA has yet entered into implementation phase. In addition, guidelines for elaborating NAMAs are still missing.

Clean Development Mechanism (CDM): The countries having binding commitments under the Kyoto Protocol have the flexibility to meet part of these by buying credits from CDM projects carried out in developing countries.

However, for now, the CDM offers a limited opportunity for Africa: only 3.6% of CDM credits are generated in Africa, against 75% for Mexico, India, China, and Brazil.

Figure 4 - Danone/Océanium CDM project of mangrove restoration in Senegal (Source: M. LE CROM, 2011)

Several reasons explain this marginalisation:

- The industry and energy sectors are underdeveloped in Africa;
- Transaction costs are high, sometimes too high for local project developers;
- The business climate is often degraded and human skills not always available, especially as CDM projects are characterised by complex procedures and methodologies;
- Data are often lacking to establish baseline scenarios.

Specifically, projects in the land-use sector are penalised: only afforestation/reforestation projects are eligible and their specific accounting rules give little incentive (temporary credits to address the risk of future deforestation).

Intended Nationally Determined Contributions (INDCs): This is a recent concept. Appeared at the COP19 in Warsaw (2013), it has been thoroughly discussed at the Bonn negotiating session in June 2014. A very open draft Decision was published in July 2014 and was discussed at the COP20 in Lima.

At this stage, it is difficult to say how INDC will look like and how they will be funded.

2.2. Outside the UNFCCC

There are many funding sources for mitigation in developing countries. We present five of the most active in West Africa.

The **Forest Carbon Partnership Facility (FCPF)** currently supports 45 countries with the following objectives:

- To build capacity for REDD+ in all of these countries through a “Readiness Fund” of 239.8 million US$, out of which 50 million US$ have been disbursed (ODI, 2013);
- To test result-based payments in five countries, through a "Carbon Purchase Fund" of 219 million US$ (ODI, 2013).

Access to the “readiness fund” requires the approval of a Readiness Preparation Proposal (R-PP), which has already been achieved by some West African countries: Burkina-Faso, Côte d'Ivoire, Liberia, Nigeria, and Togo. Chad is a candidate.

Access to the "Carbon Purchase Fund" is in turn conditioned by the achievement of the preparation phase.

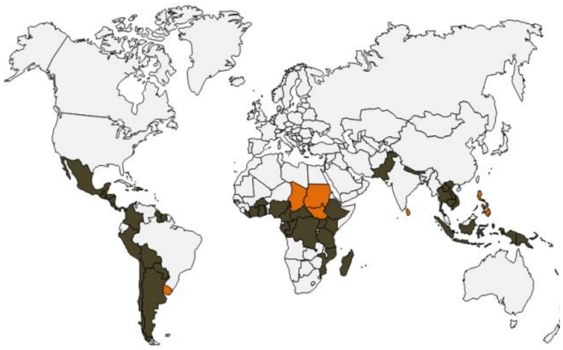

Figure 5 – Participating countries to the FCPF (green) and candidate countries (orange) (Source: FCPF, 2014)

The **Forest Investment Programme (FIP)** supports REDD+ through grants or concessional loans allocated to States or private actors.

Out of 611 million US$ pledged, 490 million US$ have been gathered (ODI, 2013). In August 2013, 70 million US$ had yet been disbursed. The FIP supports eight countries, including Burkina-Faso (28 million US$) and Ghana (50 million US$) in the CILSS/ECOWAS area.

FIP FOREST INVESTMENT PROGRAM

Figure 6 - FIP Logo (Source: https://www.climateinvestmentfunds.org/cif/node/5)

The **Global Alliance against Climate Change (GCCA)** is an initiative launched in 2007 and coordinated by the European Commission.

The Alliance aims at strengthening dialogue and cooperation with the developing countries most vulnerable to climate change, as well as supporting their mitigation and adaptation efforts.

It focuses on the Least Developed Countries (LDCs) and Small Island Developing States (SIDSs).

The GCCA has two modes of action, a platform for dialogue and cooperation, and technical and financial support. In late January 2014, the GCCA had disbursed 385 million US$, including 51 million US$ in West Africa.

The GCCA focuses on governmental and intergovernmental agencies. In particular, it provides capacity-building to the CILSS on issues related to climate change.

Figure 7 – Preparatory workshop for COP19 with the West African climate negotiators, thanks to GCCA funding (Source: http://www.agrhymet.ne)

Since 2008, the **International Climate Initiative (ICI)** of Germany allocates a portion of revenues from the auctioning of EU-ETS emission allowances to climate projects in developing countries, new industrialised countries, and countries in transition.

Four priority areas are identified: low-carbon economy, adaptation, carbon sinks/REDD+, and biodiversity.

Out of a total budget of 1.081 billion US$, 952 million US$ have been allocated.

In West Africa, the ICI supports two projects in Ghana (weather insurance and electrification: 5.2 million US$), two projects in Mali (adaptation: 4.9 million US$), and one project in Burkina-Faso (rural electrification: 4.1 million US$).

REDD+

Reduction of greenhouse gas Emissions in developing countries due to Deforestation and forest Degradation, including the conservation, enhancement of forest carbon stocks, and sustainable management of forests

EU-ETS

European Union Emissions Trading Scheme

In accordance with the EU commitments under the Kyoto Protocol

Short Bibliography

Review of climate funding: www.climatefundsupdate.org

FCPF Website: https://www.forestcarbonpartnership.org

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GCCA Website: www.gcca.eu

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Report of the Warsaw COP19: Where does the climate go? To be downloaded at www.salvaterra.fr

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Projects can be worn by implementing institutions of the German cooperation, NGOs, governmental organisations, universities and research Institutions, private sector companies, multilateral development banks, UN organisations and programs etc.

The Japan Initiative for Fast-Start Actions provides 15 billion US$ to finance public initiatives (11 billion US$) and private initiatives (4 billion US$) on climate change, out of which about 50% are targeted towards adaptation initiatives in Africa and the Least Developed Countries.

Half of the funding is in the form of loans and 119 million US$ has already been allocated in West Africa.

3. Funding Opportunities

3.1 Negotiations

The Decision 1/CP.16 of the Climate Convention has validated the creation of a Green Climate Fund (GCF) as the key element of the financial mechanism of the UNFCCC.

The GCF should theoretically allow to channel up to 100 billion US$/year by 2020 of climate funding.

As at now, the reality is quite different: long-term funding sources are not yet identified and are the subject of a special work program which has made very slow progress.

Most developing countries have advocated at the COP18 in Doha for:

- Increased, new, and additional funding, mainly from public sources;
- Creation of a Measurement, Reporting and Verification (MRV) system for climate funding, based on a roadmap of funding, including individual and aggregate targets for developed countries;
- Insertion of an ad hoc and binding chapter on climate finance in the Post-2020 agreement.

The Decision 5/CP.19 sets initial guidelines for the GCF: balanced consideration of mitigation and adaptation activities, respect for national sovereignty, and confirmation of the eligibility of all developing countries to the GCF.

It calls on developed countries to mobilise very significant resources for the GCF by the COP20.

The Decision 9/CP.19 recalls the urgency to meet the commitments on financing (100 billion US$/year by 2020), to mobilise public money for that, and the need to allocate a significant portion of public funding for adaptation through the GCF.

3.2 Opportunities for West Africa

In order to increase CDM benefits for West African countries, the following changes should be undertaken:

- To promote Programmes of Activities (PoA) to achieve economies of scale;
- To standardise and to simplify the calculation methods;
- To create "positive" lists of technology, assumed to be additional;
- To ensure a better distribution of CDM, by encouraging for instance developed countries to buy in priority CDM credits from LDCs;
- To better define the additionality concept in certain sectors;
- To simplify the governance of the CDM;
- To include agroforestry in the CDM;
- Etc.

NAMAs, for their part, lack of clear guidelines and dedicated funding, and much remained to be done to launch them effectively.

As for INDCs, they appeared recently in the negotiations and are highly anticipated in view of the COP21 in Paris where a Post-2020 multilateral treaty on climate has to be adopted. Their implementation is slow.

These are however expected to materialise mitigation actions in developed countries (commitments) and developing countries (contributions).

Nothing says that the international community will support these INDCs in African countries, considering the little appeal given to African CDM projects and African NAMAs.

Apart from these tools, and in the absence of tangible perspectives under the UNFCCC, the integration of mitigation-related goals in the "traditional" projects of donors probably remains the most obvious opportunity to finance mitigation actions in West Africa.