

Regulating carbon markets: building capacity for the implementation of Article 6 of the Paris Agreement

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Africa Participation in the Global Carbon Market: History, Challenges and Opportunities

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Kyoto Protocol

- **Adopted at CoP3 in Kyoto, Japan in December 1997**
- **Covers 6 GHGs (greenhouse gases) CO₂, CH₄, N₂O, HFCs, PFCs and SF₆**
- **Overall emission reductions of 5.2% over 1990 levels by Annex I parties (developed countries and economies in transition)**
- **Differentiated targets among Annex I (e.g. Japan 6%, US 7% reduction, Australia 8% increase over 1990 levels)**
- **First commitment period 2008-12**
- **Created three mechanisms including the CDM**

What is Clean Development Mechanism (CDM)?

Certified Emission Reduction Credits (CERs)



Developing Country
India, Srilanka etc



Developed Country
UK, EU etc

Carbon Financing or CER Purchase



Project's Contribution to Sustainable Development

- ❖ Social Well Being - The project should lead to alleviation of poverty by generating additional employment, removal of social disparities leading to improvement in quality of life of people.
- ❖ Economic Well Being – The project should bring in additional investment consistent with the needs of the people.
- ❖ Environment Well Being – This includes a discussion of impact of the project activity on resource sustainability and resource degradation.
- ❖ Technological Well Being – The activity should lead to transfer of environmentally safe and sound technologies that are comparable to best practices.

Issues with CDM

- **The speed of the certification process.**
- **Many carbon projects faced high up-front costs while the revenues start at zero and activities are financed from initial investment.**
- **Transaction costs did not differ substantially whether the project was to generate annually 1,000 tonnes of CO₂eq or 100,000 tons of CO₂eq, so the larger the project the more likely it was that the revenue streams would be large enough to warrant developing the project as a CDM project.**
- **Variable Prices of Carbon Credits**

Challenges of Africa's Participation in the Global Carbon Market under Article 6

- Institutional Capacity Shortfalls: African nations often struggle to develop and maintain the necessary institutional framework for active carbon market participation.
- This includes:
 - project development and management,
 - emission monitoring, and
 - transparent reporting – all vital for trading success.

Challenges of Africa's Participation in the Global Carbon Market under the Paris Agreement

- **Regulatory Framework Gaps:** Many African countries lack robust regulations for carbon markets, creating investor and developer uncertainty and stalling emission reduction initiatives.
- **Complex Approval Processes** will continue to deter project developers.
- **Monitoring Infrastructure Deficiencies:** Inadequate systems for monitoring and verifying emission reductions remain a major obstacle.
- **Limited Information Access:** Restricted access to carbon market information impedes awareness and understanding among potential developers, further sidelining African countries from active carbon trading participation.

Potential Carbon Trading Sectors for Africa

- Energy: Reduce Electricity Transmission and Distribution losses; phased down approach in the use of coal-based methane; renewable forms of energy like hydro-power, solar, wind, biogas, etc.
- Transport Sector and Aviation: Reduced carbon intensity of travel system by shifting away from passenger car use to modern buses and non-motorised transport (NMT).
- Forestry Sector: Forestry sequestration.
- Agricultural Sector: Promote conservation farming.
- Waste to Energy Processes.
- Industrial Processes and Product Use:

Unlocking Africa's Potential for Participation in the Global Carbon Market

- This calls for sharp, strategic moves.
- First, we need crystal-clear emissions accounting and solid verification protocols.
- Standardizing measurement methods and smoothing out national regulations will slash costs and make it easier for project developers to jump in.
- Plus, weaving in outcome-based finance, checked by unbiased verifiers, will supercharge small-scale projects.
- Build robust regulatory frameworks that match global standards.
- Africa needs to move out of the perpetual learning phase.

Unlocking Africa's Potential for Participation in the Global Carbon Market

- At domestic level, we need to support training programs, speeding up approvals, setting up top-notch emissions monitoring, and spreading know-how are essential.
- This will empower local players, boost efficiency, and close the knowledge gap, ensuring Africa's strong and trustworthy role in the global carbon market.

Conclusion

- The continent is poised to reap immense benefits from carbon trading under Article 6 of the Paris Agreement from 2024 onwards.
- With unique opportunities and well-crafted carbon market structures, Africa can overcome financial hurdles in decentralized renewable energy projects.
- Initiatives like ACMI, backed by supportive policies, may be key to transforming carbon markets into powerful drivers of Africa's low-carbon transition.
- As we address the barriers to market participation, we stand on the brink of unlocking the vast potential of Africa's participation in carbon trading.



THANK YOU!

Ideas
to
Action