Article 6: Challenges and opportunities for Climate Finance

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Summary of Article 6: a recap

- Largely around the rules and regulations governing the trade and structure of carbon markets globally
  - It is estimated that carbon credit trade could reduce the cost of countries' NDCs by more than half – and as much as $250 billion by 2030.
- This is meant to stimulate the trade by countries of carbon credits
- And also encourage and stimulate private financing
- Africa can benefit from the carbon market learning from the experience of the CDM

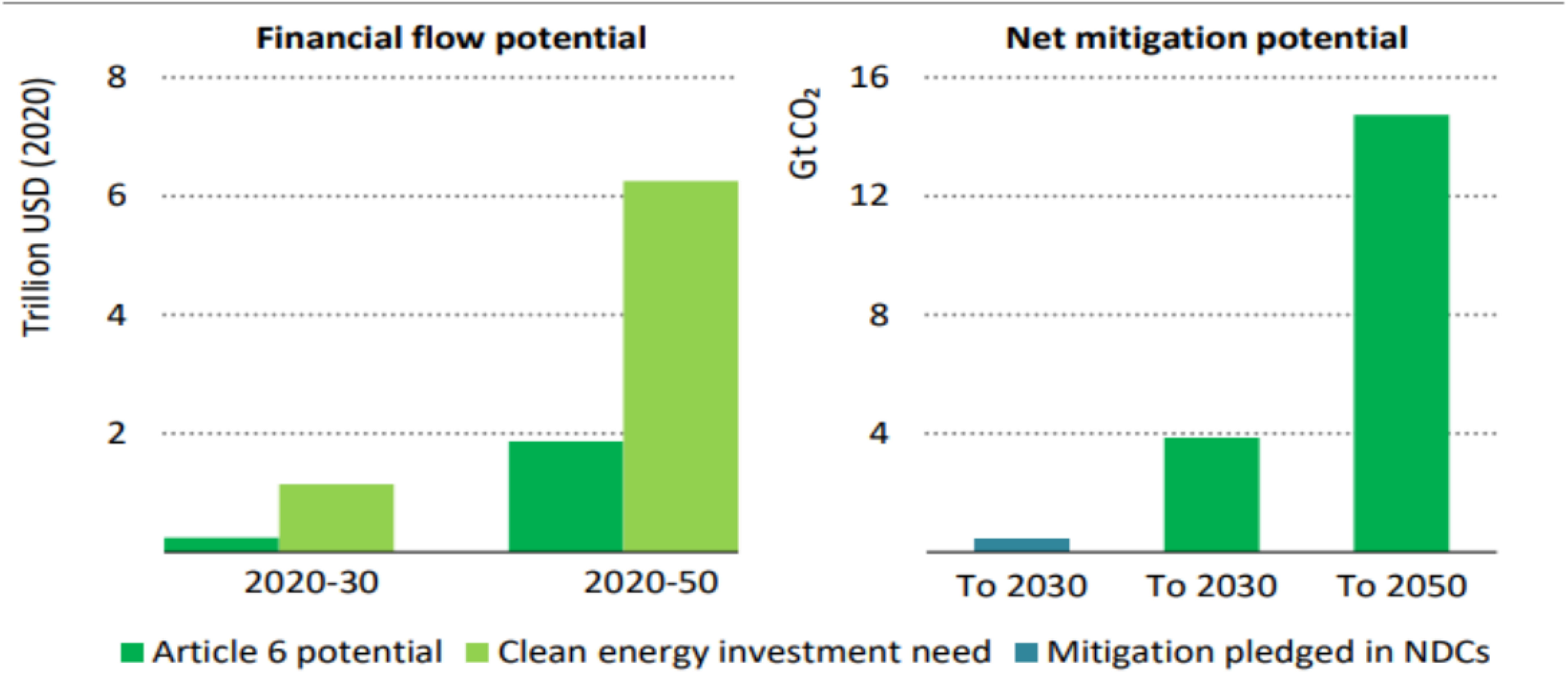
Challenges and Opportunities around Carbon Pricing

- Lack of a globally agreed price of carbon, Africa more in vcm with low prices;
- Lack of adequate infrastructure for a globally connected international carbon market;
- Africa's low emissions makes it a loser in carbon markets trading, as the profit margin is minimal;
- Technical capacity in low carbon markets on the continent is still significantly low;
- Despite these challenges, there is the opportunity for climate investments in Africa to mainstream resilience and low carbon development in the long term.
    - Africa's ecosystems store significant amounts of carbon e.g the Congo Basin (about 1.2 billion tons of CO_2 per year
    - There are also positive examples – Investments in Rwanda's Green Fund FONERWA is being used to restore ecosystems and create jobs.
- Strengthening Africa's participation in the carbon market can make resources available for adaptation and resilience, especially through the private sector

Africa's Unique Opportunities

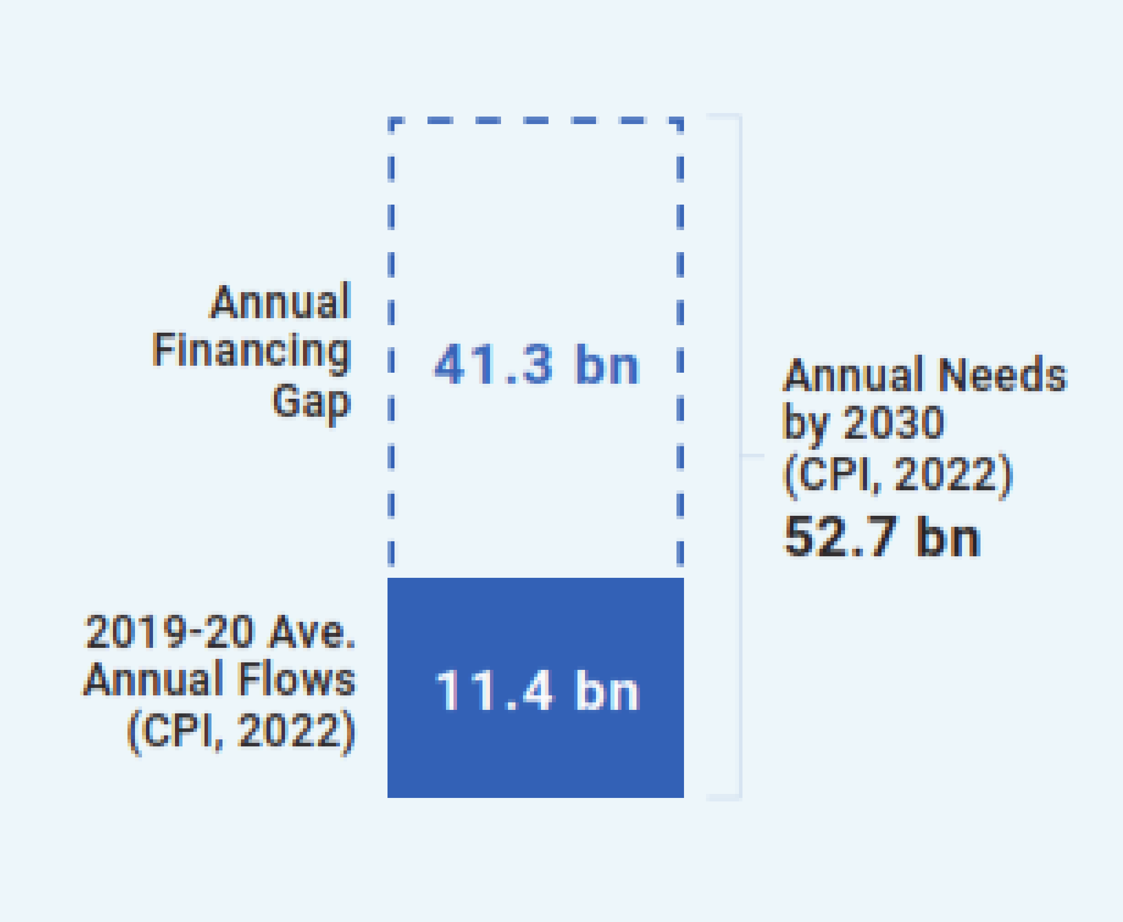
Developing the market for Carbon credits in Africa: with nature-based removal alone Africa can meet 30% of the world's sequestration need by 2050

Article 6 Financial Flows and CO2 emissions Potential in Africa



Trends in adaptation financing flows and needs in Africa

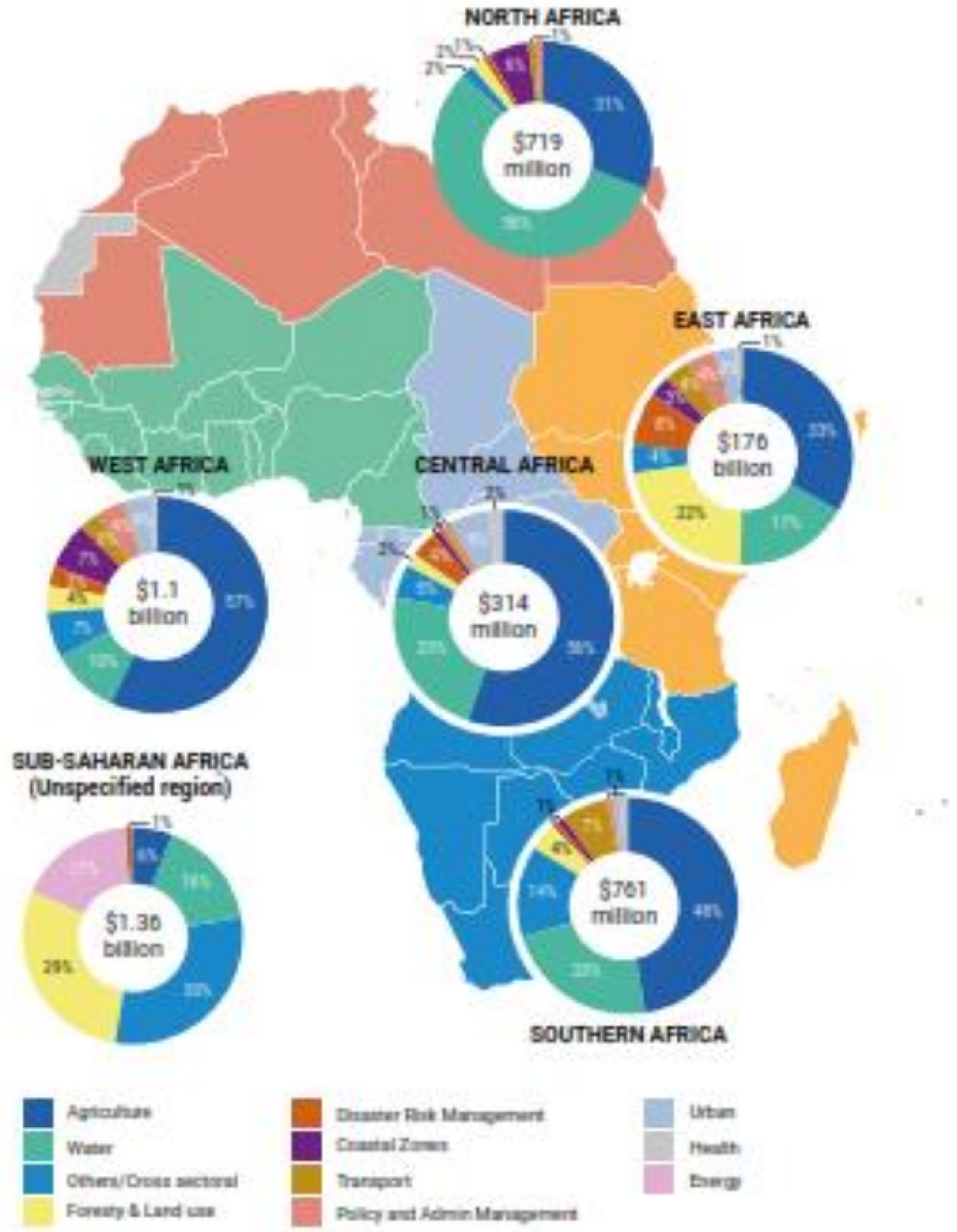
- Current adaptation finance flows in Africa are insufficient to meet growing adaptation needs on the continent
- Current estimates of the cost of climate change to Africa are between **$7 - $15b/year and could rise to $40 b/year by 2040.**
- With no adaptation, global warming could drive Africa's GDP per capita 3% lower by 2050
- Global attention skewed towards mitigation – less than 10% to adaptation.
- By 2019, Africa received just about 3% of global climate finance.
- In 2017-2018, **Africa received only $3.5** billion on adaptation and resilience financing.
- Benefit Cost ratio for adaptation when properly implemented ranges **from 2:1 to as much as 10:1.**



"Carbon Markets can create the needed financing that can be used for resilience and adaptation"

Tracked adaptation finance by region and sector in Africa

- There is a pressing need to accelerate finance for climate adaptation in Africa over the coming decade.
- 53% of adaptation finance comes from DFIs.
- 23% from national governments.
- Adaptation investment needs to be mobilized from a wider variety of finance sources.
- Adaptation needs will require significant financing across all countries, regions, and markets.



Source : STA 2021, GCA

Factors Affecting Adaptation Finance Flows in Africa

Positive Factors

- DFI commitments to adaptation finance continue to grow
- Launch of innovative financing models
- International commitments at COP26

Negative Factors

- Capacity constraints
- Limited inclusion of resilience in stimulus packages
- Minimal private sector investment
- Africa debt crisis
- Aftermath of Covid-19 and war in Ukraine

Source : Financial Innovation for Climate Adaptation in Africa, GCA 2022 page 9-10

The Africa Adaptation Acceleration Program, a Finance Opportunity

- 2018: Establishment of the Global Commission on Adaptation
- January 2021: AAAP launched during the **Climate Adaptation Summit**, hosted by the Netherlands government
- April 2021: endorsed at the **Leaders' Dialogue on the Africa Covid-Climate Emergency**, convened by the GCA & AfDB, in close collaboration with the UN and the AU, it brought together 30 African Heads of State and Global Leaders
- Goal: **Mobilize $25bn to accelerate adaptation in Africa**
- Implements the vision of the African Union's Africa Adaptation Initiative – AAI

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AAAP: Leveraging $25 Billion in Adaptation Investments

- AAAP leverages MDB investments, with a target of **$3.6 billion between 2021-2022**
- AAAP delivers multiple dividends:
  - Supporting food security by powering the value chain and linking to markets
  - Ensuring infrastructure resilience
  - Delivering adaptation jobs that economies in Africa desperately need
  - Leveraging climate finance to drive investment in adaptation and resilience

Climate Smart Digital Technologies for Agriculture and Food Security

- Knowledge and analytics
- Investment to increase access to pro-poor scalable digital solutions
- Last mile capacity building to support increased access and scaling up solutions

Africa Infrastructure Resilience Accelerator

- City Adaptation Accelerator
- Public-Private Infrastructure Resilience Accelerator
- National Infrastructure Risk Resilience Programs
- NBS Investment Innovation Program
- Capacity Building through the Climate Resilient Infrastructure Masterclass

Empowering Youth through Jobs and Entrepreneurship

- Strengthening youth-led entrepreneurship in adaptation
- Building youth capacity for employability and unlocking access to finance
- Mainstreaming "adaptation jobs"

Climate Finance and Innovative Financial Initiatives for Africa

- Technical Assistance Program (TAP) to access climate finance
- Innovative tools and instruments for mobilizing finance
- Knowledge products

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Questions for Deliberation

- Is Africa ready for Article 6

- What kind of Financing Mechanism Does Africa Need to complement or maximize the benefits of the Carbon Market?

THANK YOU

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