

Using Carbon Finance to Promote Sustainable Energy Services in Africa (CF-SEA) Programme Information Sheet



Programme Context – Kyoto Protocol and the Clean Development Mechanism

In June 1992, over 180 countries adopted the United Nations Convention on Climate Change (UNFCCC), a framework aimed at stabilising climate-altering greenhouse gases in the atmosphere. The Kyoto Protocol, which was adopted under the UNFCCC, and entered into force on February 16th 2005, commits industrialised countries to reduce their Greenhouse Gas (GHG) emissions by an average of 5.2 percent below their 1990 levels by 2012.

To meet these commitments in the most cost-effective manner, the Protocol contains provisions allowing industrialised countries some flexibility to meet their obligations through projects generating Emission Reductions (ERs) elsewhere. The most important instrument permitting industrialised countries to finance emissions-avoiding projects in developing countries and receive credit for doing so is the Clean Development Mechanism (CDM) proposed under article 12 of the Kyoto Protocol. The main purpose of this mechanism is to assist host countries with sustainable development through the transfer of cleaner technology and financial resources for specific projects, while at the same time contributing to the reduction of greenhouse gas emissions.

The Key Issue – Absence of CDM Project Activities in Sub-Saharan Africa

Despite the rapid growth of global carbon finance transactions, small-scale CDM projects in Sub-Saharan Africa are still being bypassed by commercial investors due to significantly higher transaction costs and risks and a lack of operational policy frameworks. Moreover, most African LDCs are also suffering from an overall lack of access to credit and of investment in the energy, industrial and waste sectors, with the result that even the potentially most attractive, low-cost carbon mitigation projects encounter significant difficulties obtaining funding.

Current World Bank and UNEP Support for CDM in LDCs

Both World Bank and UNEP are following a “learning by doing” approach by assisting governments in implementing first CDM transactions enabling them to gain experience and better determine what is needed in terms of changes to legal and institutional frameworks to fully participate in the global carbon market.

The World Bank’s Community Development Carbon Fund (CDCF) seeks to reach out to countries that are currently being sidetracked by CDM mainstream investors by allocating a minimum of twenty-five percent of its funds to buy emission reductions from small-scale projects located in LDCs which measurably improve the welfare of host communities.

>> <http://carbonfinance.org/cdcf/home.cfm>

The UNEP Risoe Centre has worked on capacity building and CDM awareness since it was originally defined in the Kyoto Protocol. Activities have included regional awareness and information programmes in Africa and Asia and Latin America, as well as analytical issues related to implementation of CDM projects like baseline definitions, cost analysis, project screening and possible sustainable development indicators. >> <http://www.cd4cdm.org/unepcdm.htm>

Through the REED programme, UNEP DTIE seeks to develop new sustainable energy enterprises that use clean, efficient, and renewable energy technologies to meet the energy needs of poor households in developing countries. Promoting these technologies can reduce the negative environmental and health impacts due to the use of poor quality energy forms such as wood, dung and kerosene. >> http://www.uneptie.org/energy/projects/REED/REED_index.htm

CF-SEA - The Programme Rationale

There is a pressing need to bring together the different experts, financiers and authorities needed to trigger CDM project activities in Sub-Saharan Africa. To address this deficit, CF-SEA is initially targeting the five SSA countries Cameroon, Ghana, Mali, Mozambique and Zambia that offer sensible prospects for implementing a number of CDM projects within a reasonable timeframe. In each of the target countries the programme approach will involve working with a number of project developers to identify, prepare and take to market specific carbon projects, and strengthening the capacity of local carbon experts, co-financiers and governmental authorities to engage in CDM activities.



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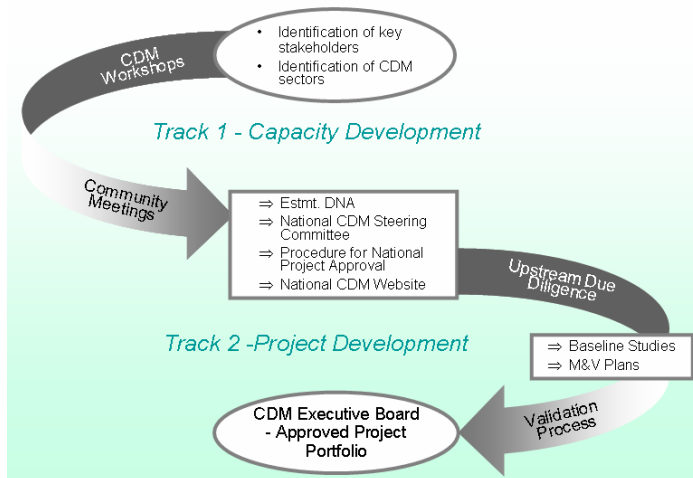


CF-SEA - The Dual-Track Project Schedule

Track 1 - Capacity Development for CDM

At the outset of programme activities, country teams will identify potential local and regional intermediaries, institutions and experts and assess their capabilities to bring deals to the market through desk- and field work. Hands-on training and capacity-building will then be provided to institutions/experts through technical training courses, field trips, web-based training and project development workshops.

Capacity development activities will be modular and respond to the existing capacities and capacity-gaps of each organisation/ expert. Most importantly, technical training will be provided to public sector experts who have been mandated by the UNFCCC to designate a national authority. The training programme will be designed to improve the ability of Designated National Authorities (DNAs) to secure a smooth and timely evaluation- and approval process for CDM projects, and act as enabling intermediary between project sponsors, certified emission reduction (CER) buyers, financial institutions and involved interest groups.



Track 2 - Targeted Technical Assistance for Project Preparation

During Track 2, the “learning by doing” component of the programme, experienced consultants will provide the technical expertise, local footing, and financial engineering needed to successfully bring Project Idea Notes (PINs) and Carbon Finance Documents (CFDs) forward. In close collaboration with local partners, the CDM specialists will help to move CDM proposals through the due diligence, documentation and validation processes, and will link in the various governmental, financial and operational actors needed to move a project to financial closure.

For each selected country, the consultants will work with project sponsors and other local project developers to assess the potential for projects including such technologies as landfill gas, biomass-valorisation, mini-hydro, energy efficiency, etc. The consultants will work with these developers to gather all the information necessary for a PIN and a CFD, including a clear analysis of the community benefits - and suggestions of how the project may be adjusted to augment those benefits. The consultants will also look at how projects can be bundled if they are too small by themselves. The consultants will also look at such critical issues as financial analysis, sources of financing, likelihood of financial closure, financing gaps that would need to be filled and options for filling them including through the use of carbon finance.

The main purpose of Track 2 activities will be the removal of barriers to small-scale project development in SSA countries through the successful development of a number of CDM projects to be prepared jointly by carbon consultants and their local partners.

Implementing Agencies

Programme implementation and management will be carried out jointly by UNEP RISOE Centre, the World Bank Community Development Carbon Fund and UNEP Division of Technology, Industry and Economics (DTIE). Project funding is provided through contributions from the UN Foundation and the World Bank-CDCF.

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