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

CF-SEA - The Programme background

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

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.unep.fr/energy/finance/activities/reed/