

Market Mechanisms in East Africa: Challenges, Success Factors and way forward

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Mr. Timothy Cowman



Challenge

Period of uncertainty for markets therefore all eyes on Paris and beyond – What should East Africa be looking for?

Success Factors

What is the base East Africa is working from?

Way forwards

What can East Africa do?



- **Challenges – Markets demand and supply**



Challenges

Under the **UNFCCC**

Kyoto Protocol

Clean Development Mechanism (CDM) and Joint Implementation (JI), since 2000 and therefore have developed in mature project mechanisms;

Convention

A “**new market mechanism**” (NMM) defined in 2011. Work plan to develop a “**framework for various approaches**” (FVA) for use of markets under the Convention, “**Non market mechanisms**” (NMA)



Challenges

Cancun

The Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP)

“To develop a protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties ... to come into effect and be implemented from 2020”

Durban

“To enhance mitigation ambition to identify and to explore options for a range of actions that can close the ambition gap with a view to ensuring the highest possible mitigation efforts by all Parties”

Lima

The role of market mechanisms:

- Post 2020 - key negotiation issue (divergent views)
- Pre 2020 - under discussion (role of CDM?)

Paris

(Overriding - CDM/JI reform, NMM/FVA rule establishment)



Challenges

ADP generating divergent views with **emerging themes**:

- **Right to use market mechanisms** to meet commitments/contributions/actions
- Creation of a **central market mechanism** under the UNFCCC (e.g. CDM/JI/NMM/Emissions trading)
- **Market mechanisms recognition and accounting** - units or mitigation outcomes transferred for purposes of meeting commitments

2015 – Paris Agreement over arching agreement not specific operational rules



Challenges – How do emerging trading schemes use CERs?

Carbon pricing mechanisms continue to gain popularity as key **policy tools** in climate change mitigation

Flexible mechanisms relevance of offsets remains unclear

MEXICO



EU 2030 Climate and Energy Package

At least 40% domestic cut(1990 basis), no use of international units



South Korea Emission Trading Scheme (K-ETS) started in 2015: Already 1.1 million CERs cancelled from projects hosted in South Korea on 21 April 2015

SHENZHEN



Challenges – How do emerging trading schemes use CERs?

Canada Major provinces start discussing a common carbon pricing (subnational)



USA: Washington State designing a carbon market similar to Quebec-California

Mexico: Power sector 22% cut in grid emission factor by 2018 → emission trading scheme + renewable energy certificates considered. Carbon Tax.



China National ETS announced: targets 2016 start
Size: ~4 Gt → largest ETS ever, no use of international credits

International Civil Aviation Organization – Trading
schema in place including use of CDM by 2020



Challenges – How do INDCs address markets/the CDM?

ADP, COP invited all Parties to initiate or intensify domestic preparations for their INDCs towards achieving the objective of the Convention as set out in its Article 2, without prejudice to the legal nature of the contributions, in the context of adopting a protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties.

The COP invited all Parties to communicate to the secretariat their INDCs well in advance of COP 21 (by the first quarter of 2015 by those Parties ready to do so) in a manner that facilitates the clarity, transparency and understanding of the INDC. In decision 1/CP.20 the COP also invited all Parties to consider communicating their [undertakings in adaptation planning](#) or consider including an adaptation component in their intended nationally determined contributions.



Challenges – How do INDCs address markets/the CDM?

In total, 18 INDCs (46 parties) published (as of 10 July 2015)

Switzerland:

- Intends to use carbon credits from international mechanisms to achieve part of its 2030 GHG target; intends to use the CDM
- Requirements: real, permanent, additional and verified mitigation outcomes; high environmental standards; No double counting

Norway:

- Considering using market-based mechanisms under the UNFCCC to achieve its 2030 target
- Support inclusion of market based mechanisms in the 2015 agreement, and the opportunity to continue using units accruing from the CDM and JI
- Requirements: ensure that such credits represent real and verifiable emission reductions and that double counting is avoided

China? USA?



- **Success Factors - East African Foundations**



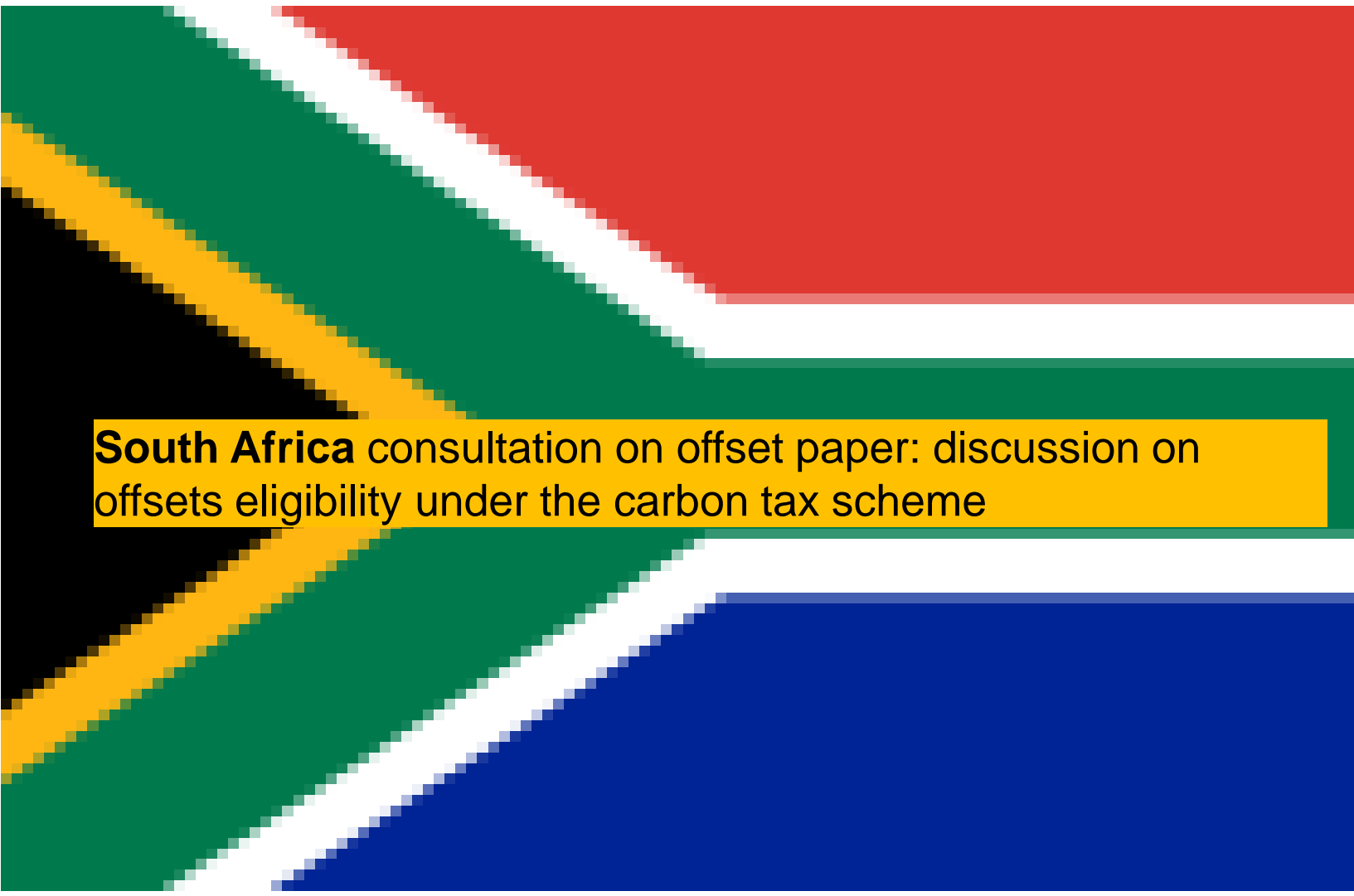
Africa - demand? Use of Markets?

5.6% of African countries have submitted their INDC to date

(Asia 7%, Eastern Europe 57%, Latin America 3% and Western Europe and others 85.7%)

Country	Date	Mitigation	Markets
Gabon	01.04.2015	At least 50 % GHG reduction below BAU by 2025, not including forests	
Morocco	05.06.2015	Unconditionally reduce 13% of GHG emissions by 2030 compared to BAU for 2030; increased to 32% under certain conditions (additional financial support and enhanced technology)	Considers the establishment of an International market mechanism Vital to reduce the total costs to achieve the target of limiting the Temperature increase to 2°C. Morocco does not exclude the possibility of using these mechanisms to achieve its conditional and/or unconditional targets.
Ethiopia	10.06.2015	64% reduction of GHG emissions from the BAU scenario in 2030, depending on support in finance, capacity building and technology transfer	Intends to sell carbon credits During the period to contribute Towards achieving its Green Economy Strategy. Ethiopia Supports the development of Effective accounting rules Under the UNFCCC to guarantee the environmental Integrity of market mechanisms.

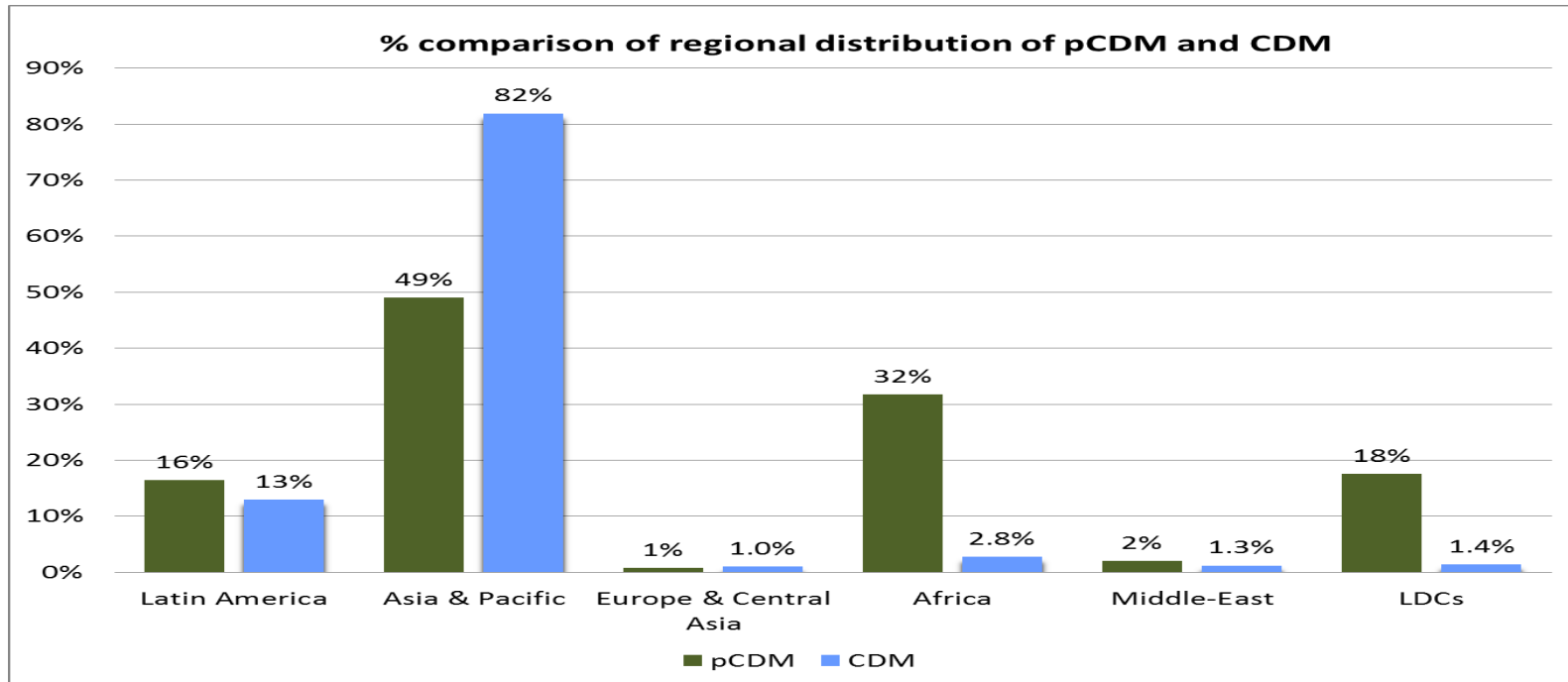
Africa - demand? Use of Markets?



South Africa consultation on offset paper: discussion on offsets eligibility under the carbon tax scheme

Africa and CDM

- Programmatic – innovative solutions
- Variety
- Strength of co-benefits
- Embedded within the development framework



Source: *The Pipeline* was produced by Joergen Fenhann, UNEP DTU Partnership, 1st June 2015, jgfe@dtu.dk, Phone (+45)40202789 <http://cdmpipeline.org/>



CDM in East Africa - Projects

	Registered
Africa	195
East Africa	46
Burundi	3
Kenya	20
Ethiopia	2
Tanzania	3
Rwanda	4
Uganda	14

Expected accumulated 2020 over 40 million tCo2e

Expected accumulated 2020 over 2 million tCo2e

Average delay from first day of registration to Issuance – 33 months

Sector	No. of projects
A/Reforestation	13
Domestic manure, Agricultural residues	2
Bagasse	1
Biomass briquettes	1
EE Public stoves	3
Hydro – Existing dam and run of river	8
Geothermal	4
Landfill flaring	3
Lighting	2
Petrochemicals	1
Solar PV water disinfection	2
Water water	1
Wind	5



CDM in East Africa – Programmes of Activity

PoA	Africa	East Africa
Registered	96	35

Expected accumulated 2020 just under 20 million tCo2e

Issues to date over 45,000 tCo2e (0.3%)

Sector	
Methane Avoidance – Domestic manure,	2
EE distribution -	1
Landfill gas – Landfill composting	1
EE household	4
Hydro – run of the river	1
Mixed renewables – solar & wind	2
Solar – Solar lamps	1
Solar – Solar PV	1
Solar – Solar PV disinfection	1
EE Households – stoves	18
EE service – Water purification	3

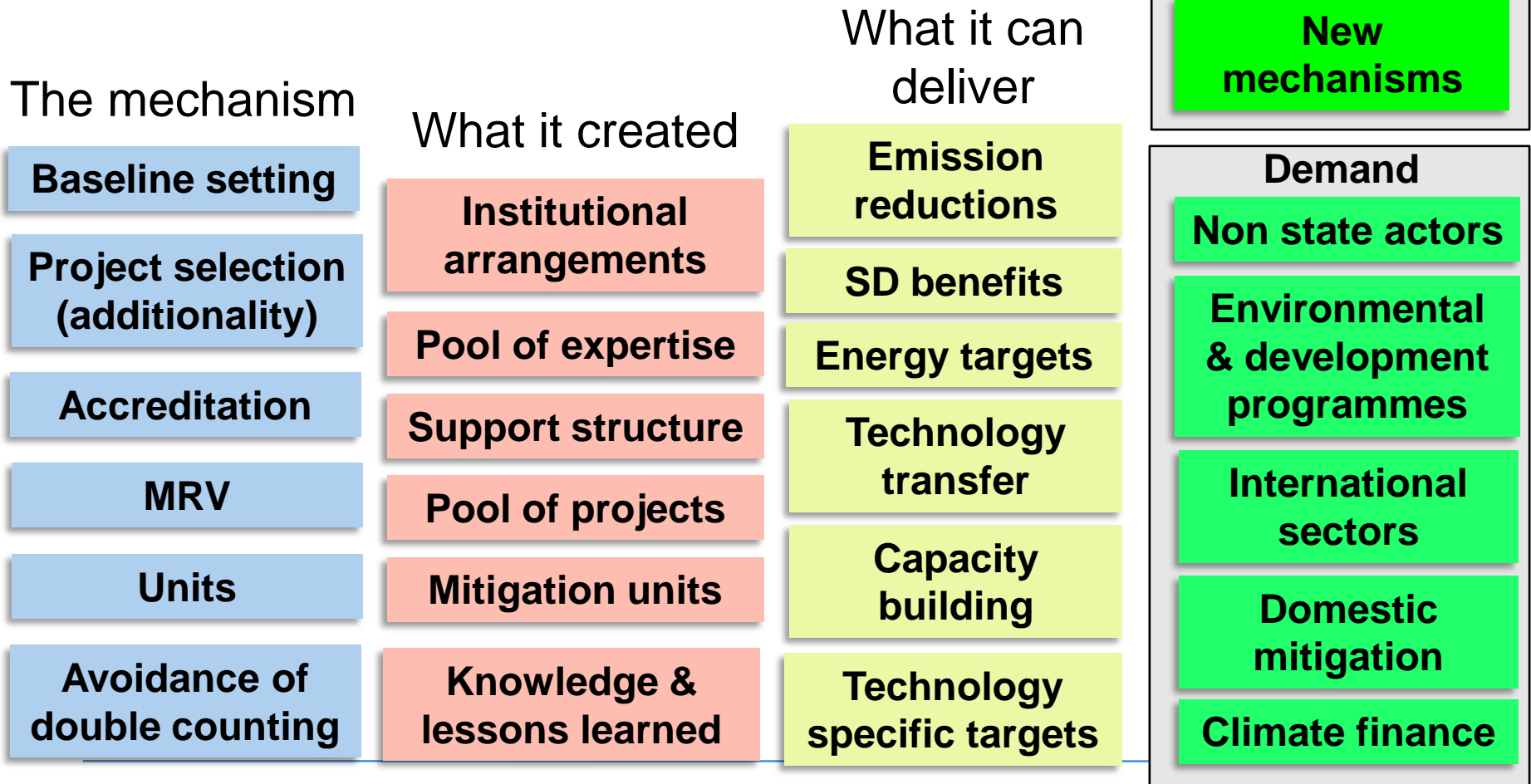


- Way forwards?



What the CDM has to offer

Feedback from the DNA Global Forum



Ways Forward

Utilise CDM pipeline as a foundation for Mitigation action in the region? International and/or regional demand?

- INDC development?
- Recognition of early action – pre 2020 credits for post 2020?
- Regional trading schemes? EAC? SA links?
- Expansion of voluntary demand – international initiatives, domestic demand?
- Link to wider mitigation policy developments? NAMAs?
- GCF, wider climate finance?



Thank you

Tim Cowman
tcowman@unfccc.int

