

Africa Seeks "Green" Development Cash

By: *Michael Fleshman*

Africa would like to join China, India, Brazil and other developing countries in benefiting from the Kyoto Protocol's new Clean Development Mechanism. The hydro-electric power station on the Nyagak River in Uganda's West Nile region is just one small example of how Africans can benefit from investments designed to help prevent climate change and global warming.

For the residents of Uganda's rural West Nile region, generating energy for cooking, lights and business was an expensive, dirty and sometimes frustrating experience. Most households used kerosene or wood for day-to-day needs, while local business and people who were better-off had to buy generators and diesel fuel for electricity. The area was too remote and too thinly settled to warrant connection to the country's modest national power grid. Kerosene and diesel were trucked in from distant depots over poor roads, which added to the cost and made supplies erratic.

One solution to the area's energy crisis was to install a small hydroelectric plant along the nearby Nyagak River but there were problems. But neither government officials nor local communities had the engineering, management and financial skills to design and build the plant, and it was also considered too small -- it would serve only 4,000 homes -- to attract investment unless there was also foreign funding.

However, because the project would replace polluting sources of energy with clean hydro-power, it has qualified for support from a special programme set up to help countries reduce their emissions of the "greenhouse" gases that are causing climate change, the Clean Development Mechanism (CDM).

Cutting Pollution, Fuelling Development

The CDM is an important feature of the Kyoto Protocol, the 1997 treaty that commits industrialized countries to reduce their greenhouse warming gases down to 1990 levels. The CDM allows developed countries to meet part of their reduction targets by investing in projects to reduce the amount of carbon dioxide and other greenhouse gases produced in developing countries. Every tonne of greenhouse gas not emitted by a CDM-approved project in a developing country is assigned one Carbon Emission Reduction credit (CER). These CERs can then be bought and sold, much like corporate stocks, and can be used by developed countries to meet their emissions targets.

It is thought that each year the Nyagak river dam is preventing the emission of about 36,000 tonnes of greenhouse gases that would otherwise contribute to climate change. With technical help and backing from the Ugandan government and funding from Finland and The Netherlands, the project was approved by the CDM in 2005. The 36,000 CERs generated annually are sold on world carbon markets to help off-set construction and

operating costs, and are contributing to clean and sustainable development in Uganda and cheaper compliance with the Kyoto Protocol for countries in the North.

Obstacles To CDM Investments

The success of the West Nile CDM project, however, is the exception rather than the rule in Africa. According to researchers for the United Nations Framework Convention on Climate Change, which oversees the CDM, Africa has fewer than 3 per cent of the nearly 1000 CDM-approved projects globally. In contrast, Mexico alone has 3.56 per cent of all CERS, the Republic of Korea has 7.28%, Brazil 8.97%, India 14.75% and China 48.9%.

Most of Africa's projects are located in South Africa where sophisticated industrial and financial infrastructure lends itself to the complex CDM approval process. Outside South Africa, sub-Saharan Africa has fewer than 1 per cent of all CDM-registered projects. In effect, the region is not participating in the carbon trading industry that, in just a few short years, has generated some \$30 bn in investment capital for climate change efforts.

The reasons for Africa's difficulties in attracting CDM investors include the fact that the region is poor and has limited financial and economic resources. It also has a shortage of people with the technical and management skills needed to meet CDM standards, and it has relatively weak business institutions. But the explosive growth of world carbon markets, and its emergence as a major source of funding for climate change projects in developing countries, CDM spokesman, David Abbass, told Africa Renewal, makes it vital for Africa to attract its fair share.

Nairobi Framework: Changing The Climate For Investment

In late 2006, a coalition of UN and other development agencies, including the UN Environment Programme, the UN Development Programme, the UNFCCC Secretariat, the World Bank and the African Development Bank, launched a project intended to do just that. Known as the Nairobi Framework and inaugurated by then-Secretary-General Kofi Annan, the framework is focusing initially on:

- Building local and national technical capacity to design and implement CDM projects
- Expanding awareness of CDM opportunities among African and international government and private sector leaders
- Encouraging greater cooperation among African governments in attracting green investment
- Strengthening coordination among the various governmental and non-governmental actors to streamline and shorten project timelines and local approval processes

In 2007 the Framework launched an internet-based CDM Bazaar (www.cdm-bazaar.net) to bring African project developers together with investors; provide a venue for engineers, marketing firms and other service providers; and to highlight the opportunities, both current and potential, for CDM activities in Africa and other poor developing areas. The Framework will convene an all-Africa carbon forum in Senegal in the fall of 2008 to further highlight the investment potential of Africa for green development investors.

Efforts are also underway by the parties to the Kyoto Protocol to reform the rules of the CDM. At the December 2007 UN climate change meeting in Bali, governments agreed to explore ways to expand the CDM into areas previously excluded, such as preserving forests, and to simplify the procedures for applying to the CDM and meeting its requirements. They also agreed to launch an Adaptation Fund, financed in part by money from CDM projects, to support worthwhile green development projects that are not currently eligible under CDM guidelines. The World Bank's International Finance Corporation is also expanding its efforts to promote CDM projects in developing countries. It is launching a carbon credit guarantee programme to reassure Northern investors of the security of African Carbon Emission Reduction credit.

Time For Action

With the global trade in carbon credits soon expected to top \$100 bn annually there is wide recognition that ways must be found to bring Africa -- the poorest and least developed of the world's regions -- more fully into the market. No one is more eager than Africans themselves. Speaking on behalf of the African group of nations at Bali, the Nigeria government noted that adequate funding for climate change adaptation in Africa "remains inaccessible due to conditionality of co-financing... There is too much emphasis on seminars, workshops and needs assessment. For how long will our needs continue to be assessed?" In the meantime, the government said, "the suffering of our people continues."

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