

**Re: Submission from the African Group on the Initial Review of the Adaptation Fund**

**Agenda Item 6(a) of the SBI agenda**

19/5/2012

The African Group takes this opportunity to submit its views on the elements that need to be covered under the initial review, particularly issues that are not directly specified in the Terms of Reference contained in Decision 6/CMP.6.

The African Group, along with other Parties, recognizes that while the ToR for the initial review were limited in scope to institutional arrangements and performance issues, the context in which the Adaptation Fund is currently operating requires urgent attention by the CMP. In particular, as was expressed in the opening statement by the Chair of the AGN, African Parties are particularly concerned regarding the future and financial situation of the Adaptation Fund.

The African group points to the direct relation and effect of our discussions under the KP and the outcomes of the AWG KP on the adaptation fund, in particular with regards to the future of the fund and its resources, in this regard the group would like to highlight the fact that Annex b of the KP have either declared a very low level of ambition or clearly stated that they will not be part of the second commitment period of the KP , also the group would like to highlight the fact that some Annex b countries and regional groups have taken unilateral measures against CERs from developing countries while trying to include some developing countries activities as source of funding their own domestic actions.

The African group highlights the responsibility of Annex B countries on the current and future status of the fund, in particular regarding the diminishing resources and the fall of carbon price, that has direct negative effect on the capacity of the Adaptation Fund to respond to urgent adaptation needs in developing/Non-Annex I countries.

The African Group notes that according to the Report of the Adaptation Board at its seventeenth meeting (AFB/B.17/6), the price of CERs has drastically decreased over the last 12 months. The Board report notes the following:

**“The average price achieved before trading had stopped in October 2011 amounted to €12.43, or €0.36 over the average prevailing market price since inception of the monetization program. The trustee reported that since resumption of CER sales on 1<sup>st</sup> February 2012, pursuant to the Board's instructions, the trustee has achieved an average price of €4.52, or €0.05 over the average market price during that period.”**

The African group Group notes also the report of the adaptation fund board (AFB/EFC.8/7) issued on the 14th of Feb. 2012, that highlights that the expectation for the prices of CERs for the second half of 2012 is between 3.12 euros and 4.68 euros.

Among the issues that need to be addressed under the initial Review, in addition to already agreed elements of the ToR and recommendations emanating from the independent evaluation, include the following should be included:

- The predictability, adequacy of financing for the Adaptation Fund based on the application of the 2% levy. Given the uncertainty of the Kyoto Protocol and its market mechanisms as well as the low price of carbon and related market uncertainties, how will the Fund be finance in the future;
- The procedures of monetizing certified emission reduction units by the Trustee;
- Future measures under the CMP and the Convention that can be used to provide higher levels of financial sustainability for the Adaptation Fund.

Among the recommendations that the African Group would like to see addressed under the Initial Review is are ways to ensure predictability and adequacy of the Adapataion fund resources that could include, inter Alia:

- The application of the 2% levy across Joint Implementation and International Emissions Trading schemes in Aannex b B of the KP ;
  - Allocation of 10 % of all the eligible carry over units to be used in the second commitment period of the Kyoto Protocol by each Annex B Party;
  - Consideration of a set of measures to stabilize the price of CERs including through dealing with the level of ambition;
  - Application of 2% levy on emission trading schemes in Annex B countries ;
  - Considering a replenishment process with a clear burden sharing process through assesed scale of contribution from Annex B countries of the KP
  - Stressing the importance of voluntary levies being applied to national and regional emission trading schemes, such as the EU ETS;
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