



West African Alliance  
on Carbon Markets and  
Climate Finance



United Nations  
Framework Convention on  
Climate Change

## **West African Alliance on Carbon Markets and Climate Finance (WACC)**

# **Virtual Technical Workshop on Needs-Based Finance for West Africa 26 – 27 October 2020**

**Carbon market – climate finance linkages**

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Coordinator of the WACC



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# **OUTLINE**

- ❑ CURRENT CONTEXT AND CHALLENGES IN WEST AFRICA**
- ❑ CONDITION FOR SUCCESSFUL NDC IMPLEMENTATION**
- ❑ POTENTIAL ROLE OF THE WEST AFRICAN ALLIANCE ON CM & CF**
- ❑ CARBON MARKETS/PRICING & CLIMATE FINANCE LINKAGES**
- ❑ RECOMMENDATIONS**



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## ❑ **CURRENT CONTEXT AND CHALLENGES IN WEST AFRICA in 2020**

- After ratification and entry in force of PA, almost all ECOWAS countries have submitted their INDC and NDC,
- Most of NDCs have unconditional, but conditional component subject to support,
- From the survey: current financial flows per year in ECOWAS are: 1,6 bn/yr, and needs estimated @ 20bn/yr => almost x 20 !!!
- No clarity on how the 100 bn target per year from 2020 will be reached,
- PA rulebook not yet finalised,
- Many challenges (access barriers) identified in the sub-region:
  - \* Need to revised NDCs and incorporate new issues,
  - \* Lack of capacity for project development considering the complexity of pcdures
  - \* Lack of National Governance framework for Transparency,
  - \* PA-A6 Readiness support needed,
  - \* Weak involvement Private sector and non state actors, lack of stakeholders interactions platforms at country level



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## ❑ **CONDITION FOR SUCCESSFUL NDC IMPLEMENTATION**

Considering the above mentioned gaps and challenges, a successful implementation of NDCs will require:

- The elaboration of a clear NDC Implementation strategy including an innovative financing strategy, with blending of several mechanisms, instruments and use of all financing sources,
- A Capacity Building program including all stakeholders,
- A Governance framework for Transparency,
- A Regulatory framework in line with new PA guideline, rules & modalities
- A Country stakeholders consultation platform in order to ensure efficient communication between decision makers, implementing partners and beneficiaries.



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## ❑ **POTENTIAL ROLE OF THE WEST AFRICAN ALLIANCE ON CM & CF**

### **Presentation of the West African Alliance and its objectives:**

*“We have to make carbon markets accessible for West African countries to make sure least developed countries do not miss the train under the Paris Agreement as they did with the CDM”*

(Ousmane Fall Sarr, Coordinator)

- 1. Foster active participation** by West African delegates in the UNFCCC negotiations
- 2. Promote access** to market mechanisms and climate finance opportunities
- 3. Pilot the transition of CDM** related capacities and activities to the Paris Agreement context
- 4. Support Article 6 pilot experiences** in the sub region



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## ❑ POTENTIAL ROLE OF THE WEST AFRICAN ALLIANCE ON CM & CF

### Presentation of the West African Alliance and its objectives:





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## ❑ POTENTIAL ROLE OF THE WEST AFRICAN ALLIANCE ON CM & CF

### Presentation of the West African Alliance and its main achievements

from Nov 2017 to 2020:

16

*Afiliation of all  
west African  
Member  
countries*



#### Strategic Partnerships

BMU; UNFCCC; ECOWAS, World Bank CPLC; IKI; Canada; Transparency Partnership; NDC Partnership; AfDB; ECREEE, WAEMU, KLIK

5

*Thematic  
Workshops  
conducted*



#### Article 6

Increased WA presence in UNFCCC negotiations and topics

#### Nigeria and Togo

Article 6 readiness  
platforms engaged



#### Climate Positive

Alliance travel emissions are compensated based on the Shadow Price of Carbon





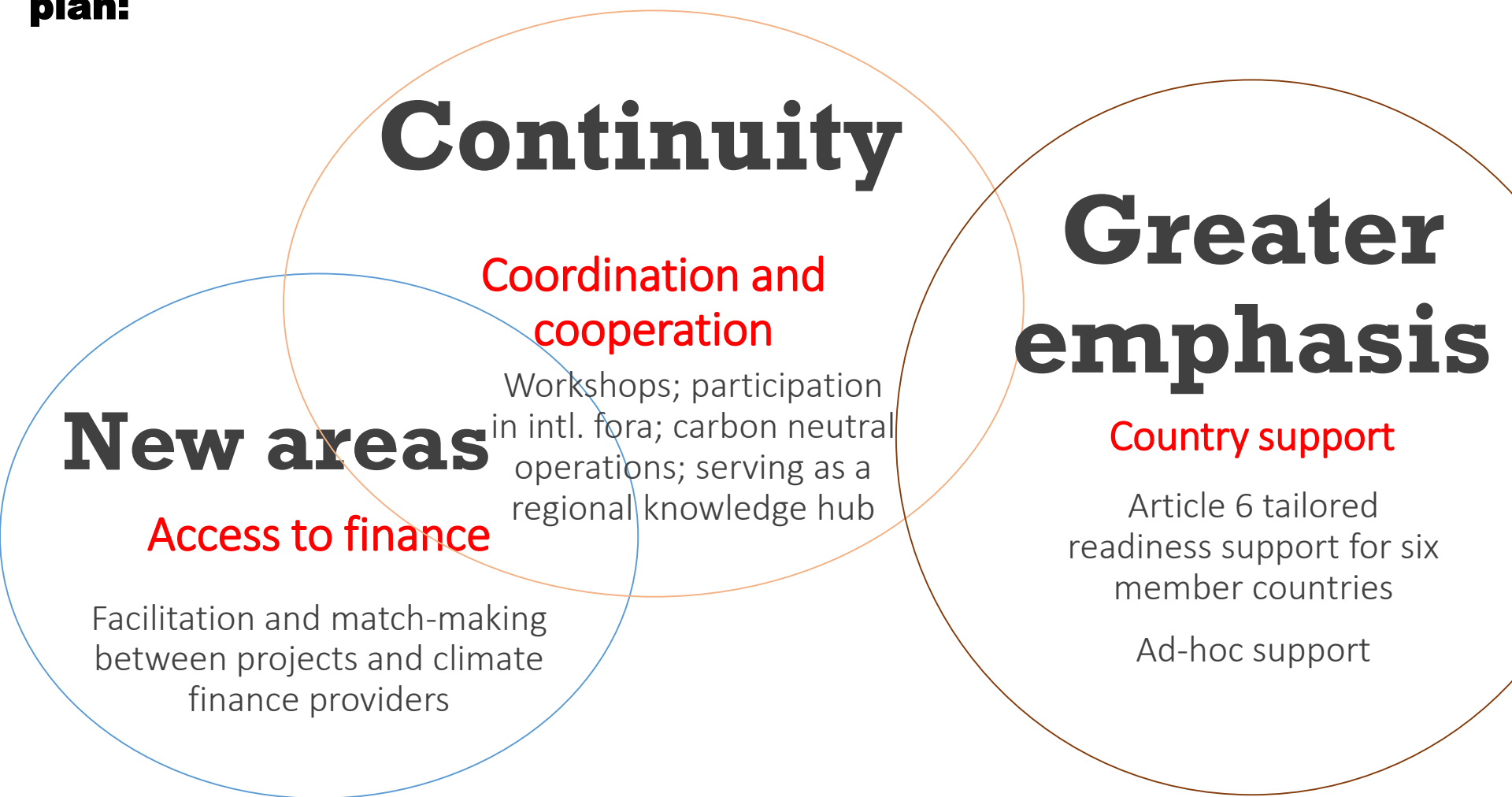
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## ❑ **POTENTIAL ROLE OF THE WEST AFRICAN ALLIANCE ON CM & CF**

### **Presentation of the West African Alliance and its 2020 to 2023 Action plan:**







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## ❑ CARBON MARKETS/PRICING & CLIMATE FINANCE LINKAGES

### BASIC BACKGROUND

- **Carbon pricing** consists in the setting of a price on GHG emissions (expressed in monetary unit per tCO<sub>2</sub>e) to curb emissions and foster a switch to low carbon solution/practices
- Two main ways of explicitly putting a price on emissions: **emissions trading** and **carbon taxation**; hybrid instruments also exist
- Requires two main elements: quantification of emissions (MRV) and a price setting mechanism
- As of April 2019, there were **57 carbon pricing systems** either in place or scheduled for implementation around the world, covering **approx. 20% of global GHG emissions (in west Africa: CI, SN, etc.)**



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## ❑ **CARBON MARKETS/PRICING & CLIMATE FINANCE LINKAGES**

### Linkages among climate finance and carbon pricing

- Climate finance provides the means to the implementation of projects, while carbon finance provides the incentive to mobilize the most “cost-effective” mitigation options
- Carbon pricing can be a **source of climate finance**

#### How?

- With emissions trading: through the auctioning of allowances
- With a carbon tax: through the tax levied
- Revenues raised can be used for adaptation and/or mitigation activities (e.g. in the form of grants, subsidies, loans, loan guarantees, equity investment, payment for results-based finance, etc.).
- A domestic climate fund could be set-up as both a recipient and distributor of carbon pricing revenues
- Carbon pricing can **unlock additional sources** of climate finance



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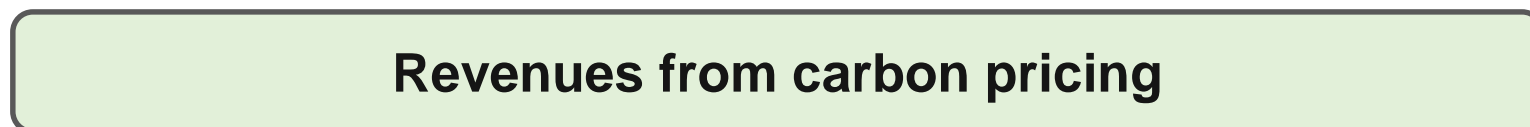


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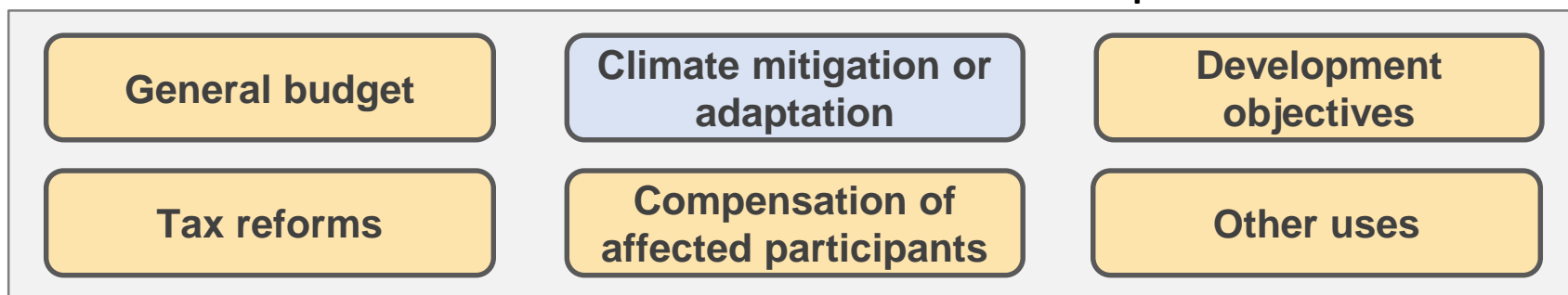
## ❑ CARBON MARKETS/PRICING & CLIMATE FINANCE LINKAGES

### Linkages among climate finance and carbon pricing

#### Carbon pricing instruments







#### Options for revenue use





## ❑ CARBON MARKETS/PRICING & CLIMATE FINANCE LINKAGES

### Examples from international experience

Country / Region	Development of interest
 <b>European Union</b>	<ul style="list-style-type: none"><li>➤ Revenues from the EU ETS were directed to environmental and development objectives</li><li>➤ EU has legislation in place recommending member states to use at least 50 percent of revenues for climate-related projects</li></ul>
 <b>Colombia</b>	<ul style="list-style-type: none"><li>➤ Carbon tax effective since 2017</li><li>➤ Carbon tax revenues used to pursue environmental and development objectives</li></ul>
 <b>South Africa</b>	<ul style="list-style-type: none"><li>➤ A carbon tax approved into law in 2019</li><li>➤ Tax proceedings used for an energy efficiency savings tax incentive, installation of solar water heaters, energy access, etc.</li></ul>
 <b>British Columbia</b>	<ul style="list-style-type: none"><li>➤ Has in place an economy wide revenue neutral carbon tax</li><li>➤ Carbon pricing revenues account for ~3% of British Columbia's provincial budget</li></ul>



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# Climate finance and carbon markets in the Paris Agreement

**PA Goal (Article 2.a):** to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels



**Required to achieve...**

**Article 2.c):** making **finance flows** consistent with a pathway towards low greenhouse gas emissions and climate-resilient development



**Contributes to...**

**Article 9.1: financial resources** are provided to assist developing country Parties with respect to both mitigation and adaptation

**Carbon  
markets**



**Enablers**



**MRV**

**Article 6:** Parties may opt for voluntary cooperation to implement their NDCs

**Article 13:** Enhanced transparency framework



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## ❑ CARBON MARKETS/PRICING & CLIMATE FINANCE LINKAGES

### Carbon markets and climate finance

- Carbon markets can support **leveraging additional sources of climate finance**
  - The CDM led to investments of more than 300 billion USD in emission reduction projects
  - The CDM leveraged 4 times the volume in carbon finance volume in the form of private sector investment
- Revenues from carbon markets need to be complemented by other sources of finance:
  - E.g.: as payments usually occur “ex-post”, carbon markets are unable to directly address upfront financing barriers
- An international carbon market could enable emissions to be reduced where it is least cost to do so :
  - Could generate large flows of carbon revenues to developing countries with lower mitigation costs.

## ❑ **CARBON MARKETS/PRICING & CLIMATE FINANCE LINKAGES**

### **Implications and opportunities for West Africa:**

- Thanks to the late reforms in CDM M&P, Consider the growing existing potential of CDM Projects and mainly PoA that go beyond 2020 and that can rapidly deliver verifiable Mitigation Outcome, set a carbon price that can increase the viability of projects and ensure the continuity of actions (RBCF)
- Consider opportunities for adopting carbon pricing instruments:
  - As a means of supporting the achievement of NDC goals and fostering cost-effective GHG emission reduction
  - Foster experience sharing among west African Countries (*CIACA –REDICAP initiative*)
- Explore the potential for a regional carbon market in the mid/long run:
  - Based on domestic experiences and in articulation with developments under Articles 6.2 and 6.4
- Build capacities and seek coordinated approaches on :
  - MRV of emissions
  - MRV of finance



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## **❑ RECOMMENDATIONS**

- 1. Strengthen regional collaboration through platforms or initiatives like: WACC, UNFCCC-CIACA initiative, REDICAP process;**
- 2. Develop a regional Readiness program on common access barriers for all countries**
- 3. Facilitate the creation of National stakeholders consultative platform where the Government, the Private sector, local communities, NGO, research institutions, youth, gender specialists are INVOLVED**



# Thank you.

Alliance is Supported by:



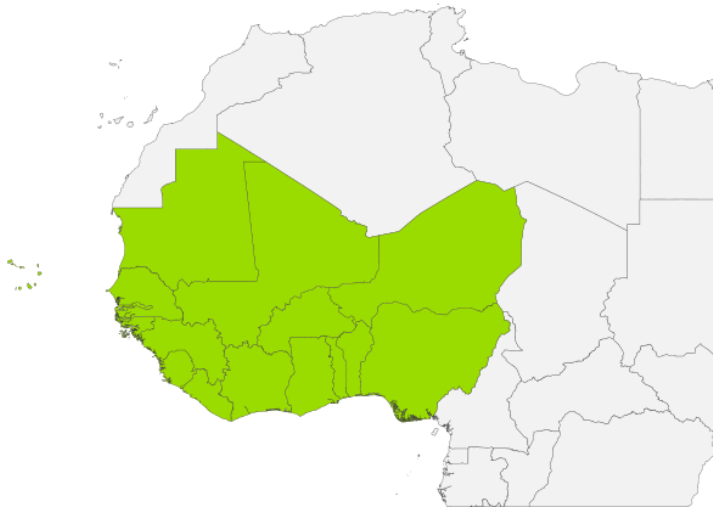
Federal Ministry  
for the Environment, Nature Conservation  
and Nuclear Safety



CLIMATE FOCUS



enda énergie



The Alliance currently comprises **Benin, Cape Verde, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Nigeria, Liberia, Burkina Faso, Sierra Leone, Senegal and Togo.**

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