Global Energy Alliance for People and Planet

SUSTAINABLE ENERGY FOR ALL

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UN Climate Change High-Level Champions

ACMI

AFRICA CARBON MARKETS INITIATIVE

Africa Carbon Markets Initiative (ACMI) Overview

February 2023

ACMI sponsors and steering committee

Steering Committee members

African governments	**Yemi Osinbajo**	Vice President, Federal Republic of Nigeria
Global expertise	**Iván Duque Márquez**	Former President, Republic of Colombia
	Annette Nazareth	Chair, Integrity Council for Voluntary Carbon Markets
	Samuel Thevasagayam	Director, Gates Foundation
	Gillian Caldwell	Chief Climate Officer, USAID
	Bogolo Kenewendo	Africa Director, Special Advisor, UN Climate Change High-Level Champions
Verification/registry agencies	**David Antonioli**	CEO, Verra
Suppliers, financiers, intermediaries and buyers	**Sitoyo Lopokoiyit**	CEO, M-PESA Africa
	Ariel Perez	Managing Partner, Vertree
	Riham ElGizy	Director, MENA Voluntary Carbon Exchange
	M. Sanjayan	CEO, Conservation International
Partner collaborators	**Damilola Ogunbiyi**	CEO, Sustainable Energy for All (SEforALL); Special Representative of the UN Secretary-General for Sustainable Energy for All
	Joseph Nganga	Vice President Africa, Global Energy Alliance for People and Planet (GEAPP)
	William Asiko	Vice President for Africa, The Rockefeller Foundation

Sponsors

Global Energy Alliance for People and Planet

Sustainable Energy for All

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Supporting partner

UN Climate Change High-Level Champions

Other Steering Committee contributors

The Integrity Council for the Voluntary Carbon Market

Vertree. Achieve your climate ambitions

Climate Action Platform Africa

Bill & Melinda Gates Foundation

USAID From the American People

Conservation International

Verra

ACMI's ambition is to grow Africa's carbon market to 300 MtCO2e in 2030 and over 1.5 GtCO2e by 2050

PRELIMINARY

	Establish market	Mature market	Develop high-value export commodity
	By 2030	*By 2040*	*By 2050*
Market	**Build market foundation and scale supply** through demonstrated methodologies (e.g., cookstoves, nature)	**Mature market,** grow nascent project types (blue carbon, livestock, technology-based removals) and **expand the proportion of removal credits (vs. avoidance)**	**Establish carbon credits as one of Africa's top export commodities** via a focus on nature and technology-based removal credits
Impact	**Drive economic development by supporting** energy access, scaling clean energy transition, protecting forests, improving agriculture and creating new income sources for smallholder farmers	**Expedite green development** and climate change adaptation through innovative approaches e.g., biodiversity/nature credits, improving livestock productivity, carbon removal technology	**Build a climate-resilient economy,** achieve net-zero emissions, and develop a carbon removal industry as a major GDP contributor with high-quality jobs
Per year	**300** MtCO2e retired[1] **$6** Bn capital mobilized[2] **30** Mn jobs created & supported[3, 4]		**1.5 to 2.5** GtCO2e retired **$120 to $200** Bn capital mobilized[5] **110 to 190** Mn jobs created & supported[3, 4]

Ensure **equitable and transparent** distribution of carbon credit revenue, with a significant portion of the revenue is going to **communities**

1. Assuming Africa's carbon retirement grows by ~19X from ~16 MtCO2e in 2020 (14x from 22MtCO2e in 2021)
2. Assuming carbon price of ~$20/tonne in 2030 based on S&P and World Bank weighted average price
3. Includes direct and indirect jobs created and jobs supported (e.g., income increase). Calculated via a bottom-up estimation for NBS job impact leveraging the CAP-A nature-based climate change mitigation model and a top-down estimate of non-NBS jobs based on job multipliers including direct and indirect jobs; Assumed 75% nature-based projects in 2030 and 60% nature-based projects in 2050
4. Jobs include not only jobs created but jobs supported via additional income; Nature jobs can include temporary jobs in any given year (esp. for ecosystem restoration pathways e.g., planting trees)
5. Assuming carbon price of ~$80/tonne in 2050 based on Vivid Economics VCM model for an accelerated policy scenario with projected global warming of 1.6 to 1.7 ºC (Triangulated against additional sources: Bloomberg estimation between $47 and $120/tonne and TSVCM projection between $150 and $250 for technology-based solutions, Reuters estimates of at least $100/tonne to reach net zero by 2050, Vivid Economics VCM model price projection between $28 and 143)

Source: CAP-A nature-based climate change mitigation model, TSVCM, Bloomberg, Reuters, McKinsey Vivid Economics, Mckinsey MGI Economic Research, International Labor Organization (ILO), Global Trade Analysis Project (GTAP)

Key challenges must be addressed in order to scale voluntary carbon markets in Africa

Challenges

● Significant challenges

Supply (Generation) and standards

Project development:

- a **Limited number of project developers** operating in Africa and **low capacity of existing developers** (gaps in carbon market expertise, implementation capabilities, local expertise and core business capabilities)
- b **High capital intensity for project development**
- c **Low economic viability** for many projects due to insufficient carbon credit revenues or high opportunity costs
- d **Complex / unfavorable regulatory landscape** (e.g., related to land rights/ concessions, ownership of credits, Article 6, and split between nationally determined contributions vs. voluntary contributions)
- e **Fragmented** ownership of / access to credit generating assets
- f **High degree of local relationships and/or community buy-in** required to ensure project success
- g **Distrust of project-based REDD+** opportunities vs. jurisdictional projects
- h **Lower ease of doing business** in some areas due to factors such as lack of infrastructure

Validation / certification:

- i **Methodologies not always relevant** for Africa (e.g., limited methodologies related to pastureland or diesel replacement, technology use not designed for Africa)
- j **High cost and long lead times for** certification, validation and verification
- k **Insufficient local verification/validation capacity** including lack of African-based validation/verification bodies (VVBs) and local expertise

Intermediation and financing

- l **High reliance on relationships, brokers and traders** to bring supply to market
- m **High intermediation costs** which reduces revenue share for suppliers
- n **No standardized processes for rating/assessing important carbon credit co-benefits** (e.g., community impact)
- o **High reliance on continuous cash flow for small project developers** (small developers cannot wait for higher prices or delay credit sales)

Financing:

- p **Limited mechanisms to de-risk and enable investment in project development and supply** (e.g., futures contracts, project supply-chain financing, insurance)
- q **High cost of capital** for financing

Demand

- r Concerns on the **integrity of certain credit types** (e.g., emissions reduction/ avoidance related to fossil fuel transition)
- s **Shifting and confusing demand trends that could impact common African carbon credit types** (e.g., confusion around the role of avoidance credit types for high integrity offsets)
- t Pricing **may not accurately reflect the value** of Africa carbon credits and their co-benefits (e.g., energy access, biodiversity)
- u **Limited local demand (except for South Africa) across the credit ecosystem** (e.g., compliance markets, local voluntary purchasing)

Source: Interviews and surveys with experts

A set of action programs could be deployed to address challenges across the voluntary carbon credits market value chain

Action Programs

Supply (Generation) and standards

1. **Develop country voluntary carbon market activation plans** that stimulate the carbon credit ecosystem, build local capacity and clarify regulation (e.g., land tenure)
2. **Scale multiple new and existing African project developers / suppliers** by building capabilities and capacity
3. **Scale up of programmes for micro carbon credits generation** involving smallholder farmers while increasing community benefits
4. **Build additional capacity and facilitate** monitoring, reporting, and verification and validation activities of carbon credit generating projects in Africa

Intermediation and financing

5. Support **African exchanges / marketplaces** ensure quality, equity and marketing of differentiated African carbon credits to both African and global buyers

Financing:

6. **Deploy financing mechanisms to de-risk investment and lower cost of capital for project developers** (e.g., futures contacts, political risk / insurance products or buffer reserves)

Demand

7. Set up an **advance market commitment** with large corporates or countries for African credits
8. **Establish African carbon neutral commodities** which bundle carbon credits with sale (e.g., palm oil, lithium, copper)
9. **Advocate to build demand for African carbon credits** including raising awareness of the integrity and quality of differentiated credits and opening up access to compliance markets such as the EU, China, California, South Africa and/or South Korea compliance markets

10. **Pilot new project types and methodologies** relevant to decarbonization opportunities in Africa (e.g., pastoral livestock, diesel decommissioning)
11. **Establish a biodiversity / nature credit model**
12. Identify long-term, innovative financing models/solutions for **critical geographic areas** (e.g., Congo basin, coral reef, mangroves)
13. **Ensure integrity of carbon markets** including alignment to global climate action, supply and demand integrity and equity for local players and communities

ACMI is leveraging distinctive relevant experts in Thematic Working Groups to support implementation of its Roadmap

(x) Q1 2023 deep focus **xxx** Thematic Group Chair

Thematic Group	Action Programmes	SteerCo members		Expert members	
A Country carbon market activation plans and enabling environment	1 Country carbon market activation plans	• **H.E. President Iván Duque Márquez**, *Gov't of Colombia* • Bogolo Kenewendo, *UN HLC* • Gillian Caldwell, *USAID*		• Dickson Kaelo, *KWCA* • Jacqueline Muna Musiitwa, *USAID* • Ousmane Fall SARR, *West Africa Alliance* • Bianca Gichangi, *East Africa Alliance*	• Amadou Hott, *AfDB* • Greg Murray, *Koko Network* • Dorothy Naitore, TIST • Martin Hession, EU Commission
B Project development – enablement	2 Scale African project developers 3 Scale up smallholder programs	• **William Asiko,** *The Rockefeller Foundation* • Bogolo Kenewendo, *UN HLC*		• Ailun Yang, *Bloomberg Philanthropies* • Anna Lehmann, *Wildlife Works* • Mark Kenber, *VCMI* • Carl Wesselink, *SSN*[2] • Dharsono Hartono, *PTRMU*[3]	• Mathieu Brun, *ENGIE* • Ilya Tyuvildin, *RTG* • Dorothy Muriuki, *TIST*[4] • Feisal Hussain, *Clean Cooking Alliance* • Norio Suziki, *Bbox* • Corey Pattison, *Cella Minerals*
C Project development – investment and carbon financing	5 Support African exchanges/ marketplaces 6 Deploy financing mechanisms to de-risk investment 7 Set up and advance market commitment (AMC) 8 Establish carbon neutral commodities 12 Identification of long-term innovative financing model	• H.E. Vice-President Yemi Osinbajo, *Gov't of Nigeria* • **Ariel Perez,** *Vertree* • Sitoyo Lopokoiyit, *MPESA* • *Africa* • Riham ElGizy, *MENA VCM*		• Jean Paul Adam, *UNECA* • Aleksi Parkkila, *ADNOC* • Chris Leeds, *SC* • Mohamed Farid Saleh, *Financial Regulatory Authority, Egypt* • Tommy Ricketts, *BeZero* • Kevin Kariuki, *AfDB* • John Goldstein, *Goldman Sachs*	• Andrew Hedges, *Baker McKenzie* • Admassu Tadesse, *Eastern & Southern African TDB* • Deepti Jerath, *MIGA (WB)* • TBD, *Yellowwoods* • TBD, *Vitol*
D MRV, integrity, and advocacy	4 Build additional MRV capacity 9 Advocacy to build demand for African carbon credits 10 Pilot new project types and methodologies 13 Promotion of carbon markets integrity, equity, and transparency	• H.E. Vice-President Yemi Osinbajo, *Gov't of Nigeria* • **Annette Nazareth,** *ICVCM* • Samuel Thevasagayam, *BMGF* • David Antonioli, *Verra* • Kelley Kizzier *(TBD), Bezos Earth Fund* • Gillian Caldwell, *USAID*		• Lucas Isakowitz, *USAID* • Adrien Sinafasi Makelo, *Dignité Pygmée (DIPY)* • Kanyinke Sena, *IPACC*[1] • Ailun Yang, *Bloomberg Philanthropies* • Perumal Arumugampillai, *UNFCCC* • Minoru Takada, *UN DESA*	• Anna Lehmann, Worldlife Works • H.E. Dr. Jeanne d'Arc Mujawamariya, Minister of Environment, Rwanda • Brian Nyangena, Verst Carbon • Mark Kenber, *VCMI*
E Biodiversity/nature credit model	11 Establishment of a biodiversity/ nature credit model	• H.E. President Iván Duque Márquez, *Gov't of Colombia* • **M. Sanjayan,** *Conservation International* • David Antonioli, *Verra*		• Tom Lalampaa, *Northern Rangeland trust*	• Nicole Schwab, *WEF*

1. Indigenous Peoples of Africa Coordinating Committee 2. South-South-North 3.PT Rimba Makmur Utama 4. The International Small Group and Tree Planting Program

Country activation plans status update

Active

Status of conversations with ACMI:

Most advanced


Kenya


Nigeria


Rwanda


Ghana


Malawi


Mozambique


DRC

Early stage


Angola


Burundi


Cabo Verde


Egypt


Ethiopia


Gabon


Morocco


Senegal


Sierra Leone


Togo


Uganda


Zimbabwe

The aim is to initiate at least **two activation plans before 1st May**

B Blueprint to develop a country carbon market activation plan enabling environment

Dimension	Description
1 **Evolution of global carbon markets**	1.1. Current state of country carbon markets globally and likely evolution 1.2. Industry characteristics for country carbon markets that need to be developed
2 **Current state and ambition for country**	2.1. Current state of carbon projects in country 2.2. Country's NDC context and the role carbon credits can play 2.3. Carbon credit ambition for country by 2030 2.4. Estimate of technical potential by sector 2.5. Economic development co-benefits for country from carbon credits
3 **Carbon market regulatory requirements**	3.1. Type of market to develop (scaling VCM vs. Article 6 vs. Compliance) 3.2. Contribution to country's NDC through carbon credits 3.3. Mitigation, registration, and reporting requirements for country 3.4. Project benefit split (i.e., is there a defined level, and if so, what?) 3.5. Country jurisdictional land regulatory requirements for nature-based projects in 3.6. Components for enacting Article 6 3.7. Approach to CDM / legacy projects, and CORSIA
4 **Fiscal incentives and fiscal policies**	4.1. Fiscal incentives / taxes in country that balance carbon project development vs. revenue generation 4.2. Use of funds (split between general budget vs. promoting climate mitigation and adaptation) 4.3 Transfer pricing and revenue recognition approach
5 **Roles and responsibilities of stakeholders**	5.1. Required roles across the full country carbon markets value chain 5.2. Coordination mechanism between different parties in country 5.3. Country grievance handling mechanism
6 **Market activation**	6.1. Attracting global buyers 6.2. Attracting project financing 6.3. Growing project developers 6.4. Ensuring intermediation capacity is in place (incl. MRV and trading) 6.5. Capability and capacity-building initiatives across all stakeholders
7 **Roadmap to deliver**	7.1. Priority actions to take for countries (near-term vs long-term) 7.2. Funding requirements and potential funders to support delivery

To download ACMI's roadmap report

Please visit seforall.org/ACMI