Introduction to the Adaptation Benefits Mechanism (ABM)

Gareth Phillips, Manager Climate and Environment Finance
Context of Adaptation Finance in Africa and globally

- Most adaptation projects do not generate strong cash flows to service debt
- Hence most funding is grant funding – given to public sector not private sector
- Many projects are small-scale and context-specific and developers cannot access loans
- Current practice is mitigation with adaptation co-benefits
ABM overcomes financing barriers

- CDM overcame the challenges to financing renewable energy
- Additional cash flow via the sale of Certified Emission Reductions
- Between 2003 and 2012, the CDM generated a pipeline of over 12000 projects worth more than USD 500 Bn
- Similar approach now applied to Art 6.2 and 6.4 activities

- We propose a similar approach for adaptation – to offer adaptation project developers a means to generate additional revenues from the sale Certified Adaptation Benefits
Overview of the ABM

- The ABM is a **results-based financing instrument** to promote **African private sector investment** into adaptation using additional cash flows from **other public and private actors**

- The central component of the ABM is the approved methodology
- Defines technology specific “adaptation benefits”
- Approved Methodology also addresses baseline, additionality, E&S impacts, theory of change, nature and scale of the financial barrier (important for transparency and pricing CABs)

- These methodologies are commissioned by the ABM Executive Committee or prepared / modified by project developers and are publicly available
ABM Project Cycle

- Project Design Document
- Validation
- Registration
- Monitoring & reporting
- Verification
- Certification & Issuance of CABs
- Payment for CABs
- Retirement of CABs
- Reporting of contribution to genuine adaptation needs
- Servicing of loan
Arguments for ABM are compelling

- Massive and growing need for adaptation
- Corporates are spending on voluntary net-zero targets but not addressing the **impacts** of GHG emissions – opportunity to balance investment
- We are called on to **innovate**

- ABM **de-risks** developer investment by creating returns
- ABM will **mobilize new money** for adaptation needs
- ABM will mobilize resources for small-scale projects which are hard to finance and for **MSMEs, women and youth** who struggle to access capital
- ABM is not just for Africa. **It has global application**!
Status of Pilot Phase of the ABM

- Launched in March 2019; planned completion postponed by 2 years to 2025 due to COVID
- Secretariat hosted in AfDB
- ABM Executive Committee appointed; ToRs; Project Cycle Guidance etc
- Methodology Panel and Roster of Experts formed
- Two pilot projects under development – Climate resilient cocoa in Cote d’Ivoire and Rapid deployment dams to counter flooding in Lagos
- One methodology approved – cold storage of seed potatoes in Kenya
Next steps

- AfDB support for ABM has now moved to Presidential level
- PRST will invite donor countries, philanthropies and corporates to provide finance to create the **African Adaptation Benefit Fund (AABF)**
  - USD 30 – 50 m to sign purchase agreements; TA; Secretariat. Contributors will receive a basket of CABs
- Support for the ABM / AABF is included in **President Biden’s 2023/24 budget**
- Engage with the other MDBs and partners on the ABM – for example they could form regional ECs
- Enroll ABM as a non-market approach under Article 6.8
### ABM EC Members

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<th>Name</th>
<th>Country</th>
<th>Profile</th>
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