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LINKING CARBON MARKETS WITH CLIMATE FINANCE IN AFRICA

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Harnessing synergies between carbon markets and climate finance for achieving ambitious NDCs

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INTERNATIONAL CLIMATE INITIATIVE (IKI)



Supported by:



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Objectives of the event

- ✓ Provide a comprehensive overview of Senegal's NDC and the role of carbon markets and climate finance, Article 6 readiness and piloting.
- ✓ Update on regional cooperation (West Africa Alliance)
- ✓ Present key CFI activities

Housekeeping

- ✓ Feel free to ask questions and comment in the chat throughout the event



Challenge

- Accessing carbon markets and climate finance has been a particular challenge in many African countries. Basic infrastructures and knowledge has been created but needs to adapt to the context of the PA.

Project response

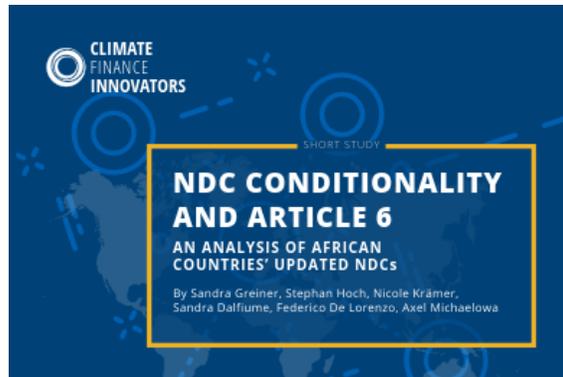
- Supporting African carbon market pipeline (especially PoAs) and scaling up mitigation impacts through mobilized results-based climate finance (GCF) and capacity building.

Focus

- Partner countries Ethiopia, Uganda, Senegal
- Regional initiatives in East and West Africa (WAA, EAA, BOAD, UNFCCC RCCs)
- UNFCCC negotiations



Key Article 6 publications



The demarcation between conditional and unconditional targets continues to play an important role in the most recent NDC submissions. In developing countries, the conditional component has often been linked to international support, including through Article 6 carbon markets. However, the UNFCCC does not provide clear guidance on what NDC conditionality means and how to apply it. A lack of conceptual clarity opens space for different applications in NDCs, with potential consequences for access to Article 6 cooperative approaches.

Based on reviewing relevant UNFCCC documents, literature assessing the first set of NDCs, Article 6 buyer documents, and an analysis of the latest African NDC submissions, this short study aims to provide a clearer understanding of how the conditionality of NDC targets may influence Article 6 cooperation. In the absence of international guidance, countries have developed their own interpretation of how to use the carbon market to achieve their updated NDCs. This study proposes a first typology for the link between NDC conditionality and Article 6 carbon markets. However, the study also argues that NDC conditionality alone is an insufficient indicator for Article 6 eligibility. Hence, it recommends undertaking further checks and balances at activity level to ensure environmental integrity. Nevertheless, the study suggests that working towards a shared understanding of NDC conditionality can increase the certainty of expectations in Article 6 cooperation and enhance transparency.

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This short policy-oriented study seeks to contribute to the elaboration of the rulebook for carbon market instruments under Article 6 of the Paris Agreement. The tax on market mechanism activities (officially called "Share of Proceeds (SOP)") is a key topic and priority for the African Group of Negotiators and other alliances. The objective of the study is to enhance the base of evidence for this discussion by providing an analytical background on previous experiences with the SOP under the CDM and current technical options as an input to the political negotiations.

This study has been prepared in the context of the project "Climate Finance Innovators - Linking carbon markets with climate finance in Africa".

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Setting the scene

- **Climate finance** introduced in **Art. 9**, PA: “to assist developing country Parties with respect to both mitigation and adaptation” while **Art. 6** introduces the **carbon markets**.
- Blending climate finance and carbon finance provides **more flexibility** for multiple international actors to provide support for the same mitigation activity e.g., in transforming a country’s power sector while **combining different financial instruments**.
- Several countries including Senegal have expressed their **willingness to use carbon markets to achieve their NDC targets**.
- Accessing carbon markets and climate finance has been a **particular challenge** in many developing countries. Primary infrastructures and capacities have been created but **need to be further contextualized to the PA**.
- Senegal was the first country to have a domestic accredited entity to access the Green Climate Fund (GCF) and has **harnessed substantial volumes of international climate finance** for the energy and agriculture sectors.
- Senegal is also a **frontrunner in Article 6 preparedness**. It was the third country signing a bilateral agreement with Switzerland on Article 6 cooperation. Furthermore, it has developed a standardized crediting framework for rural electrification in collaboration with the World Bank’s CiDev initiative.

NATIONAL DETERMINED CONTRIBUTION ON CLIMATE CHANGE OF SENEGAL

Mrs Madeleine Diouf SARR

Head of Climate Change Division

Ministry of the Environment and Sustainable Development

OUTLINE

- Climate Change Governance Framework
- NDC overview
 - Characteristics
 - Global commitments
 - Strategic visions
 - Implementation costs
 - Progress in NDC implementation
- Carbon finance in Sénégal (CDM)
- Readiness Activities
- Priority needs for article 6 implementation

I. Climate Change Governance Framework (1)

International Framework on climate change

1. United Nations Framework Convention on Climate Change (UNFCCC)

- signature : June 1992
- ratification : May 1994

2. Kyoto Protocol

- signature: July 2001
- ratification: July 2001

3. Paris Agreement

- Signature : April 2016
- Entrance in force on 04 November 2016
- NDC-based implementation

I. Climate Change Governance Framework (2)

National framework on climate change (institutional and legal)

- Focal point of the UNFCCC, Designated National Authority (DNA) for Clean Development Mechanism (CDM) and Focal point of Green Climate Fund (GCF): Department of the Environment and Classified Establishments
- Creation of National Committee on Climate Change (COMNACC) by presidential decree and Establishment of COMRECC;
- Focal point of Intergovernmental Panel on Climate Change (IPCC) : National Agency for Civil Aviation and Meteorology (ANACIM)
- Designated National Entity for Technology Transfer: Center for Studies and Research on Energies Renewables/UCAD.

I. Climate Change Governance Framework (3)

National framework on climate change (strategic)

Since signing of the Climate Convention, following documents have been prepared :

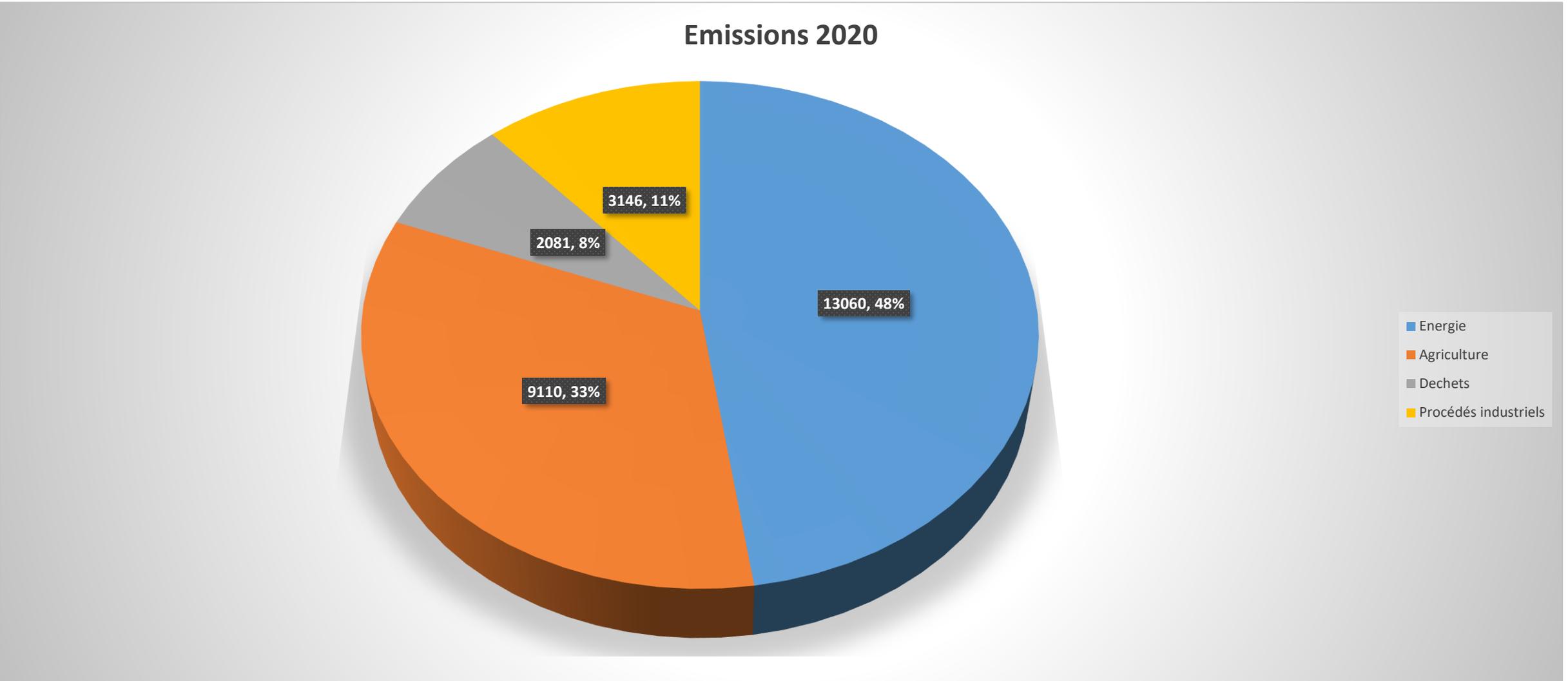
- **National Determined Contribution (NDC)** in 2015: Senegal's commitment document in relation to Paris Agreement ;
- **GCF Country Program**: Priority projects and programs to be submitted to the GCF for funding by 2025 and 2030;
- **National Communications (1997, 2010, 2015)**: Inventory of greenhouse gas (GHG) emissions as well as mitigation measures and adaptation actions companies;
- **National Action Plan for Adaptation (2006)**: Identification of essential needs, urgent and immediate activities and projects that can help communities cope with the adverse effects of climate change

II. NDC Overview

- Signature and entry into force of Paris Agreement;
- Development of the INDC / CDN as part of an inclusive and participatory process;
- Technical and political validation by Président of Sénégal in December 2020;
- NDC actions aligned with Emerging Senegal Plan.
- Implementation of national commitments to reduce GHG emissions with a sectoral variation by 2025 and 2030.
- 02 types of engagement are noted:
 - Unconditional
 - Conditional

II. NDC Overview (2)

Sectoral distribution of emissions - 2020



II. NDC Overview (3)

NDC Development

- Mitigation measures: energy, afolu, waste, transport etc.
- Adaptation measures: coastal erosion, agriculture, health, water resources, fishing etc.

2030 emissions reduction target

- Unconditional option (7%)
- Conditional option (29%)

Global Cost

- US \$ 13 billion

II. NDC Overview (4)

The overall cost implementation of the NDC : **13 billion U \$**
broken down as follows:

- \$ 8.7 billion for mitigation:
 - * 5.2 billion for the conditional
 - * 3.4 billion for the unconditional
- 4.3 billion dollars for adaptation:
 - * 2.9 billion for the conditional
 - * 1.4 billion for the unconditional

II. NDC Overview (5)

Progress in NDC implementation

- Execution of most of projects registered under unconditional component of NDC, in particular renewable energy projects injected into the electricity grid ;
- Existence of sectoral technical committees responsible for monitoring the implementation of the NDC;
- Strengthening the portfolio of projects approved at the GCF for the implementation of NDC;
- Process of implementing a carbon tax in order to have additional financial resources for NDC ;
- Process of improving legal and institutional frameworks related to the implementation of the NDC;
- Information, awareness and capacity building of national actors involved in the fight against climate change;
- Strong involvement of Technical and Financial Partners (TFPs) and non-state actors in the implementation of the CDN.

III. Carbone Finance in Sénégal

Sénégal has made the following major advances:

- **Portfolio of projects registered under CDM/PoA** quite considerable, particularly in the fields of renewable energies and energy efficiency;
- **02 Standardized Baselines** on improved stoves (wood and charcoal) and efficient charcoal production have been approved by the UNFCCC:
- **03 NAMAs** validated in the areas of household biogas, off-grid PV and energy saving lamps energy;
- Second phase of the study on the carbon tax in Senegal in progress.

IV. Article 6 Readiness activities

World Bank SCF Initiative

- The SCF is a framework for decentralized governance which will allow to initiate a new dynamic at the national capable of promoting better management of the carbon market issue;
- It is a set of flexible procedures and guidelines administered and managed by the public authorities, with a view to contributing to the implementation of the Paris Agreement under its article 6 and with a view to the end of the CDM for the post 2020;
- A ministerial decree confirming the functioning of the SCF has been put in place: made up of a steering committee, a technical committee and the administration managed by the DEEC;
- A pilot phase was successfully carried out in the sub-sector of electrification rural.
- The sustainability of this system is expected in order to take into account all NDC sectors.

IV. Article 6 Readiness activities (é)

World Bank PMI Initiative

- The World Bank's PMI is a multi-donor trust fund, the objective of which is to contribute and accelerate low-carbon development and support country efforts through the deployment of national carbon pricing instruments. and participation in international carbon markets;
- Senegal's dossier was approved to move on to the next stage of developing the full proposal;

IV. Article 6 Readiness Activities (4)

Bilateral Cooperation with Switzerland

- The Switzerland plans to implement their NDC by 2030 with use of emission reduction units from other country;
- The KLIK Foundation was mandated to make available, from 2020, the volume of reduction of these emissions;
- At After the technical examination of the draft text, the two Governments of Switzerland and Senegal have confirmed their interest in signing the Bilateral Cooperation Agreement which will govern the transfer of ITMOs under Article 6 of the Agreement Paris;
- **The signing ceremony of the Bilateral Agreement between the Ministry in charge of the Environment of Switzerland and Senegal was held on Monday, July 05, 2021 in Dakar;**
- Along with the negotiation of the Bilateral Agreement, the Foundation KliK initiated the process of identifying eligible projects.

IV. Article 6 Readiness activities (5)

West African Alliance on the market

- Its objective is to Contribute to (i) promote increased ambition at the global level, (ii) ensure access to cooperative and financial mechanisms within the framework of the UNFCCC process by West African countries (iii)) increase coordinated climate action in the region (iii) facilitate the successful implementation of NDCs, including through capacity building of stakeholders in the weather (iv) allow better access to carbon finance.
- From preparation programs were carried out for some member countries of the West African Alliance (Togo and Nigeria).
- a scoping study Article 6 readiness is being validated.
- The implementation of needs declined countries in the report will be the next step in working with the alliance.

IV. Article 6 Readiness activities

Political approaches article 6 with the Norway/ GGGI

- The Government of Norway, through the Global Institute for Green Growth (GGGI) is currently implementing the second phase of the **Development of Policy Approaches under Article 6 of the Paris Agreement which deals with credit transactions carbon**
- In the second phase of the project, it is expected the identification and evaluation of relevant policy approaches for Senegal in the energy sector and more particularly in the production of electricity (result of phase 1 of scoping).
- The Consultations are underway with the key actors of the MPE for the choice of 02 relevant policy approaches for this collaboration.

V. Priority Needs for article 6

- Mapping of the actors concerned by article 6
- Organization of capacity building sessions on key themes related to Article 6
- Improvement of the governance framework of Article 6 (SCF), through:
 - extension of the SCF to all sectors and sub-sectors covered by the NDC
 - conduct of training on verification methodologies and procedures and development of accreditation criteria
 - Development of models needed to grant approvals and authorizations
 - Setting up the base of reporting and accounting for adjustments Correspondents
- Establishment of a register to monitor and administer the engagement in cooperation under Article 6 as well as ITMO authorizations and transfers.
- Development of an operational strategy on article 6
 - guiding principles, target sectors, technologies, legal aspects
 - volumes mitigation that the country intends to allow for the use of the carbon