

Africa Carbon Asset Development (ACAD) Facility

- Scaling up the African carbon market by working closely with both the finance sector and project developers

- Partnership of leading international carbon experts, local developers, and financial institutions

Catalyzing the African Carbon Market

Africa is home to a wealth of untapped project opportunities with the potential to generate both significant commercial and social dividends. However, despite the explosive growth of carbon finance transactions worldwide, Africa has barely tapped its potential to finance its development through climate change instruments and the booming carbon trade. Major factors that have stood in the way of narrowing the African carbon gap include high transactions costs, unfamiliarity with carbon projects, and lack of expertise. Consequently, few project success stories can be used as role models. Together, these have stalled a number of otherwise technically viable projects, or left them in a position where they are developing too slowly to attract mainstream investors.



The Transaction Cost Barrier

Carbon assets are riskier and more costly to develop in Africa than in other regions. This is due to fewer concrete project successes to use as role models and the more limited number of large-scale opportunities. Recent surveys have shown carbon project transaction costs incurred during CDM project cycles can grow as high as US\$ 300,000.

To break down the barriers that are keeping Africa from developing a robust carbon market, UNEP has developed the Africa Carbon Asset Development (ACAD) Facility.

Costs and risks at the early to mid stages of project development are particularly in need of relief from high transaction costs, most notably for banks and other investors that don't have advanced carbon transactional capacity. For this reason, the African finance sector will play a central role in ACAD to build their awareness of the risks and rewards of the carbon market.

Engaging Financial Institutions

ACAD will help bankroll carbon projects by engaging local actors crucial to realizing projects: financial institutions. By improving the ability of these institutions to identify, appraise, and

transact viable carbon opportunities, ACAD will help to catalyze a more robust African carbon market.

ACAD's activities will also result in reduced costs. By building a portfolio of projects that are both pertinent and easy to replicate elsewhere in Africa, it will stimulate similar projects to follow the same approach, thereby decreasing the future costs of project development and mobilizing investment.

The ACAD Approach

ACAD offers three complementary Support Lines to stimulate the African carbon market: risk and transaction cost sharing, technical assistance to project developers, and targeted training and outreach for financial institutions.

Support Line #1: Transaction Cost Sharing

Targeted grants will be directed through financial institutions to ensure that projects not immediately commercially viable can complete critical steps like environmental impact assessments and project validation. This sharing will complement the project developer's own contributions.

Support Line #2: Technical Assistance to Project Developers

Project clinics and one-on-one technical assistance will help developers tackle key issues that occur throughout the advanced stages of the carbon project development cycle (e.g. proving additionality and preparing a monitoring plan).

Support Line #3: Financial Institution Outreach and Training

ACAD will partner with local financial sector players and provide them with training on how to tap into carbon finance opportunities. A number of regional investor outreach and mobilization activities are planned for 2009-2010. The overarching goal is to mainstream carbon finance capacity within the African financial sector.

By leveraging the financial closure of a pool of demonstration projects that are easy to replicate elsewhere in Africa, ACAD will decrease transaction costs, and help mobilize additional finance.

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