



Global Energy Alliance
for People and Planet



ECA

UN Climate Change
High-Level Champions



Africa Carbon Markets Initiative (ACMI) Overview

March 2023

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*ACMI has **not endorsed any companies, organizations, products or credits** included in this report **nor has ACMI assessed individual companies or projects.***

*ACMI is **not meant to be a commercial initiative.** It aims to **build on, supplement and reinforce ongoing efforts** towards scaling voluntary carbon markets on the continent, **not to compete with any existing initiative.***

*ACMI intends to **represent the broader voluntary carbon markets ecosystem** and not individual organizations. ACMI's sponsors, partners and steering committee members agree to disclose any potential direct benefits and recuse themselves from any efforts that could directly benefit themselves or their organizations.*

*Please note that **we are still in a design phase.** Information presented in this document is **subject to change,** in part based on your inputs and feedbacks.*

Thank you for your interest and contributions.

Presentation of the Africa Carbon Markets Initiative (ACMI)



ACMI is a collaborative effort supported by Sustainable Energy for All, the Global Energy Alliance for People and Planet, and the Rockefeller Foundation and rolled out in partnership with UNECA and UN High-Level Champions



Launched at COP27, ACMI aims to dramatically expand Africa's participation in voluntary carbon markets, supporting stakeholders in the entire value chain, thereby boosting carbon reduction and clean energy production



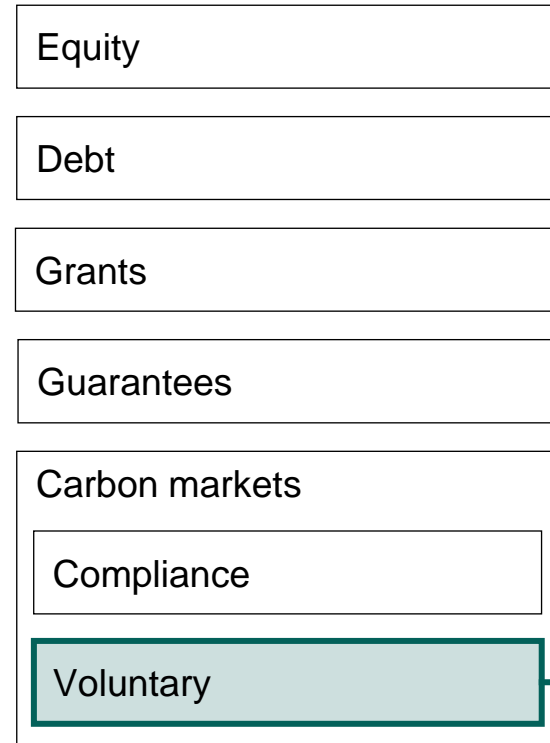
AMCI has published a ***Roadmap Report*** in November 2022, proposing 13 Action programmes to support the development of VCMs on the continent



ACMI is led by a fifteen-member steering committee of African leaders, CEOs, and carbon credit experts

The Africa Carbon Markets Initiative (ACMI) aims to scale voluntary carbon markets across Africa

Climate financing sources



Why focus on voluntary carbon markets?

Voluntary carbon markets are growing and Africa has unrealized potential

- Globally, voluntary carbon markets grew at a compound annual growth rate of over 31% from 2016 to 2021 (based on carbon credit retirements¹)
- Companies will increasingly commit to net zero
- Africa currently produces only a small fraction of its total maximum annual potential

Producing carbon credits could be a transformational opportunity for Africa

- “Carbon markets are gaining traction as a crucial way of funneling finance to developing countries”²
- Carbon credit projects cut across sectors and drive critical co-benefits
- Potential for carbon credits to be a meaningful commodity (e.g., the ‘next oil’)³

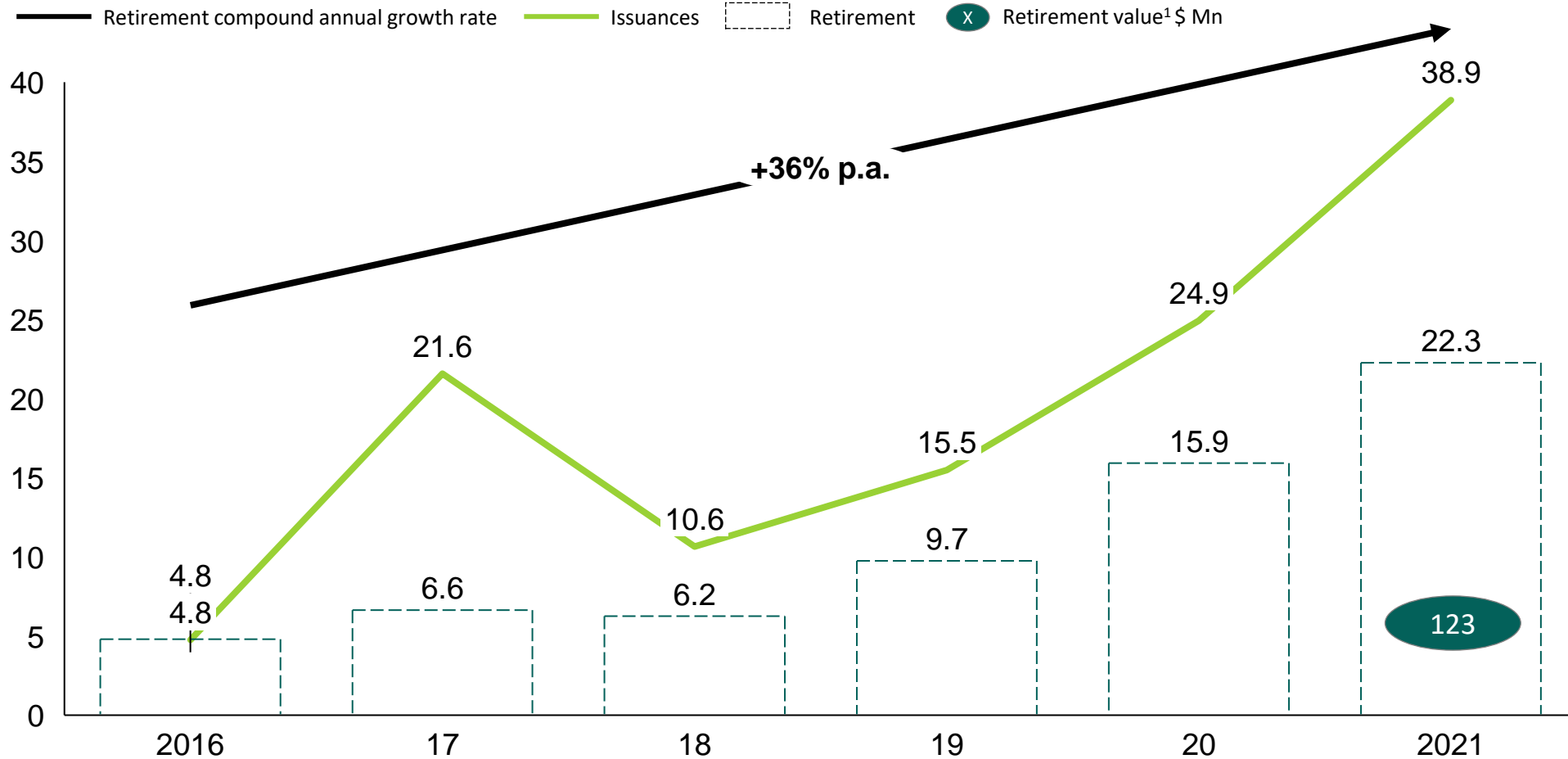
The time to act is now

***Goal:* How can we scale voluntary carbon markets across Africa?**

1. Growth of real demand (e.g., retirements)
2. Global impact of war in Ukraine: Energy crisis, UN Global Crisis Response Group on Food, Energy and Finance -
3. "Next Africa: As Oil Fades, Gabon Bets on Its Forests" Bloomberg

Voluntary carbon markets in Africa are already growing ...

Estimate of African carbon credits issued and retired (MtCO₂e)



1. Retirement value is calculated as the African retired volume in that year multiplied by the average price of Africa-sourced credits in that year (regardless of vintage)

Source: Retirement and issuance volumes from McKinsey Vivid Economics Carbon Credit Database (Data from VCS, GS, CAR, ACR, and Plan Vivo market registries at the end of August 2022); average global price of carbon credits from Ecosystem Marketplace (2016 is \$4.1, 2017 is \$5.3, 2018 is \$4.3, 2019 is \$3.9, 2020 is \$4.2 and 2021 is \$5.5)

.. And could provide significant development benefits to the continent

Nature

Forestry and land use: Africa hosts a quarter of global biodiversity that could benefit from **increased protection and community awareness**



Farmers

Agriculture & Soil sequestration: Africa's farmers could receive **direct payments** and **improved soil and shade cover** resulting in **higher yield**



City dwellers

Renewable energy: Africa could benefit from **increased energy access** as well as **improved air quality** from decommissioning fossil fuel solutions



Households

Household Devices: Africa could see **significant health benefits** from switching to clean cookstove solutions



Pastoralists

Livestock: Africa's pastoralists could benefit from **direct payments** for their role in managing carbon sinks

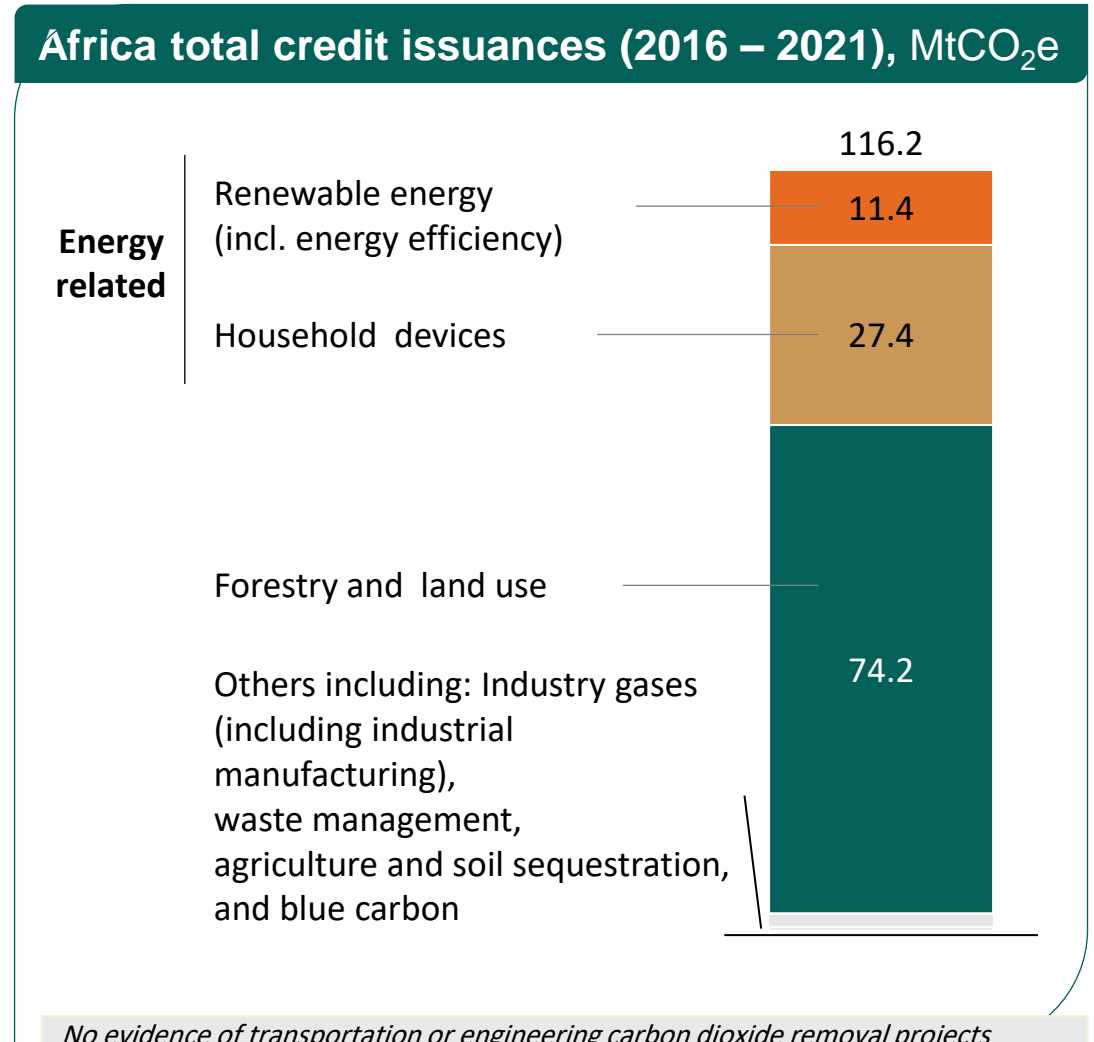
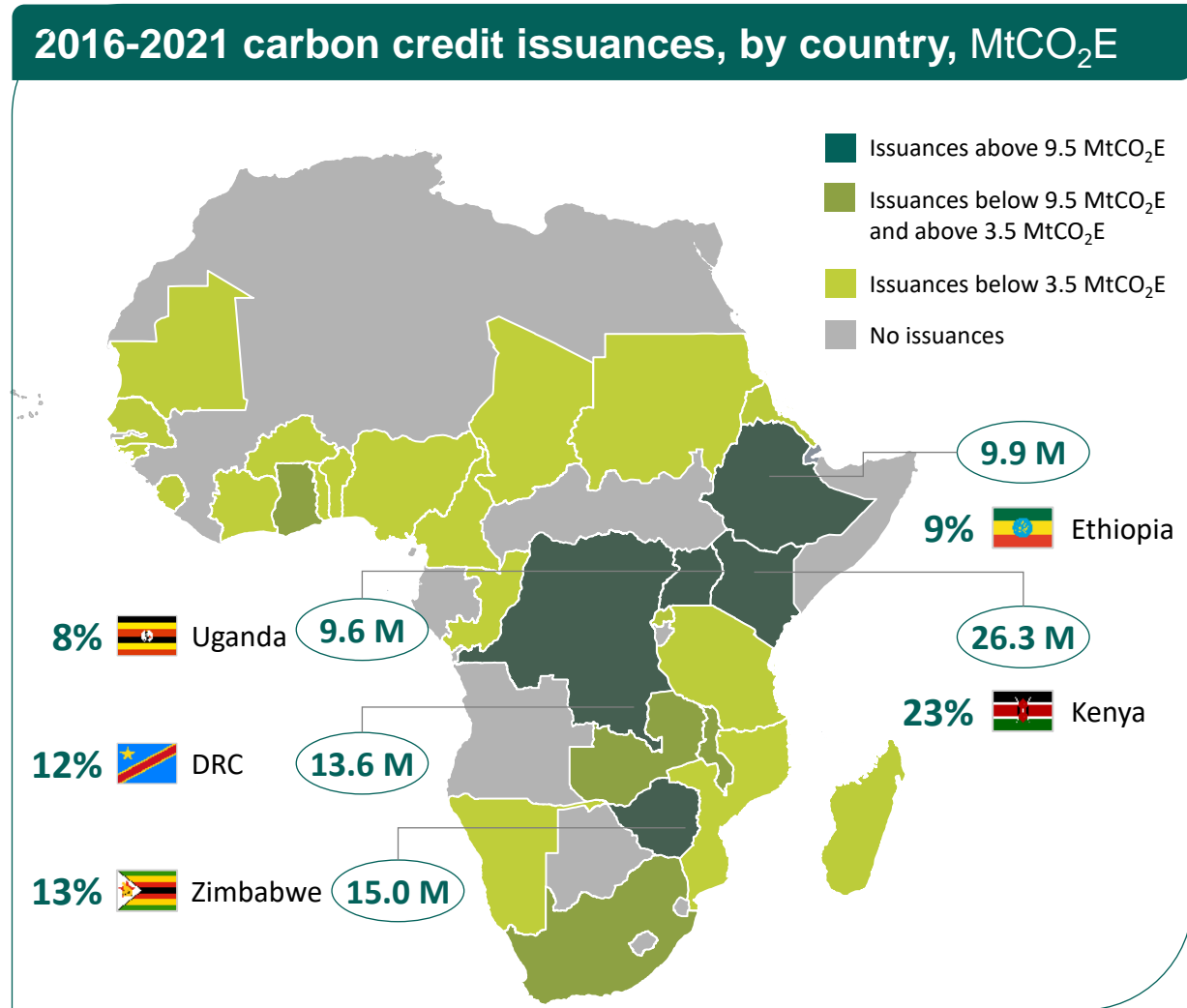


Workers

All: Africa could benefit from **new job opportunities** across the voluntary carbon market ecosystem



Yet Africa has huge untapped potential; five countries account for ~65% of carbon credit issuances with over 70% of projects in forestry/land use

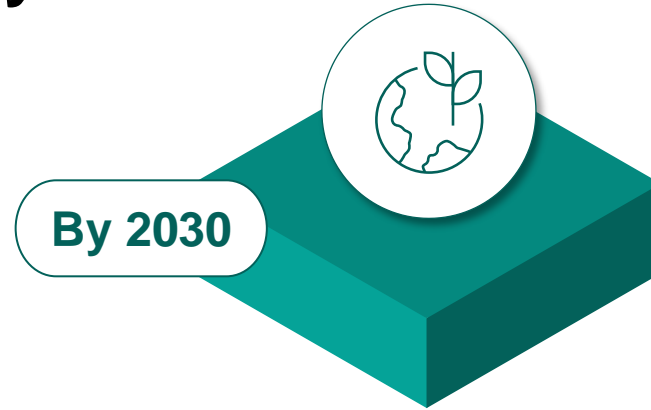


ACMI's long term ambition is to grow Africa's carbon market to 1.5+ GtCO₂e and mobilize ~\$120+ bn per annum by 2050

Per year



22 MtCO₂e retired

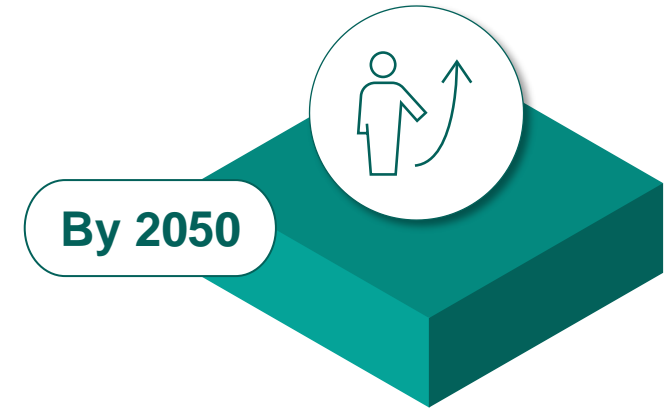


Build market foundation and scale supply

300 MtCO₂e retired

\$6 Bn capital mobilized

30 Mn jobs created & supported



Develop high-value export commodity

1.5 to 2.5 GtCO₂e retired

\$120 to \$200 Bn capital mobilized

110 to 190 Mn jobs created & supported

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

To scale voluntary carbon markets in Africa, key challenges must be addressed across the carbon market value chain

● 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 / unfavourable 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)

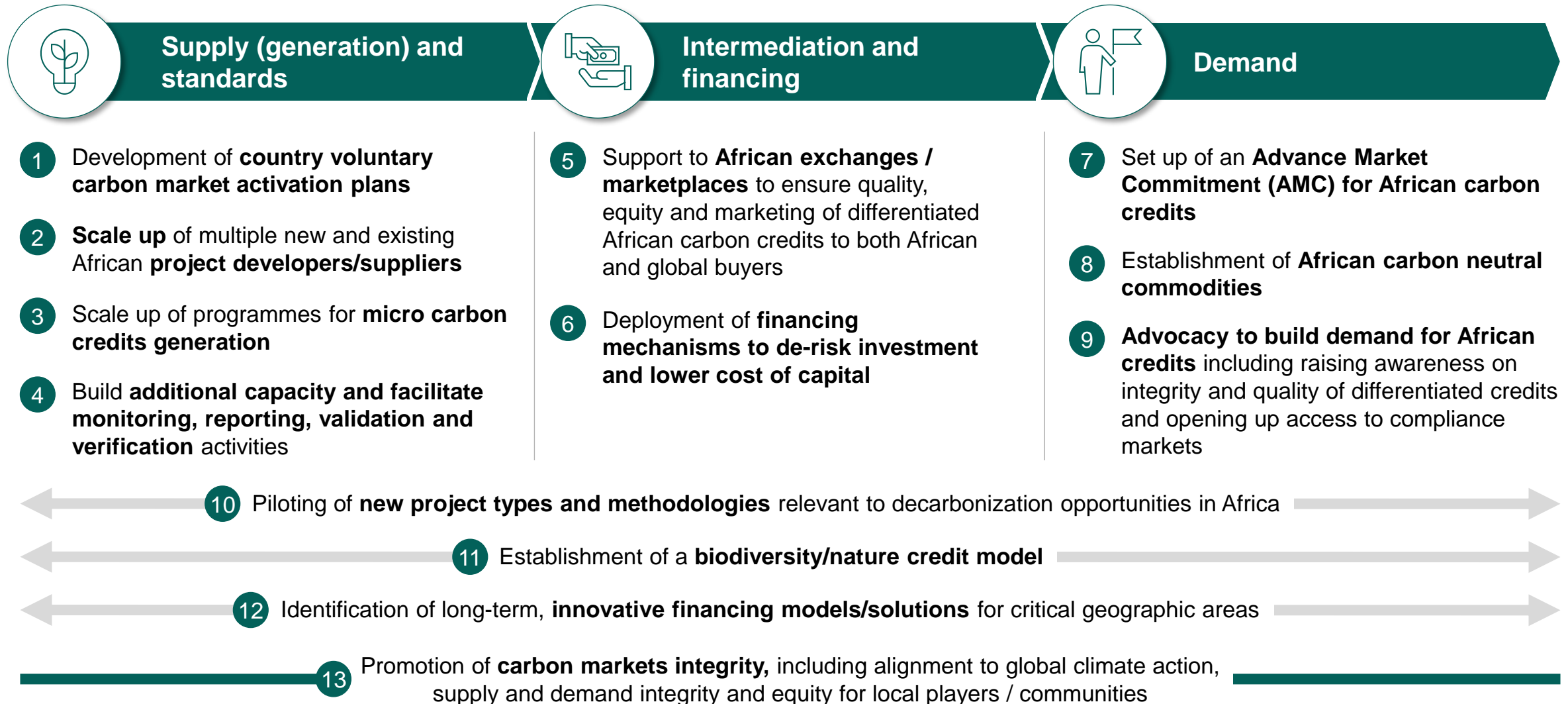
Financing:

- 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)

To address these challenges, ACMI roadmap suggests thirteen action programmes for scaling voluntary carbon markets in Africa



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
	 Kelley Kizzier	Director of corporate action and markets, Bezos Earth Fund
	Verification/registry agencies	 David Antonioli
Suppliers, financiers, intermediaries and buyers	 Sitoyo Lopokoiyit	CEO, M-PESA Africa
	 Ariel Perez	Managing Partner, Vertree
	 Riham ElGizy	CEO, MENA Voluntary Carbon Exchange
	 M. Sanjayan	CEO, Conservation International
	Partner collaborators	 Damilola Ogunbiyi
	 Joseph Nganga	Vice President Africa, Global Energy Alliance for People and Planet (GEAPP)
	 William Asiko	Vice President for Africa, The Rockefeller Foundation

Sponsors



Supporting partner

**UN Climate Change
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Other Steering Committee contributors



To signal your interest to collaborate with ACMI, please contact us at ACMI@seforall.org

For more information about ACMI and to download our Roadmap Report, please visit seforall.org/ACMI

