





Africa Carbon Markets Initiative (ACMI) Overview

March 2023

Goal of the Africa Carbon Markets Initiative (ACMI) is to scale voluntary carbon markets across Africa

Climate financing sources

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Debt

Grants

Guarantees
Carbon markets
Compliance
Voluntarv

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. &}quot;Next Africa: As Oil Fades, Gabon Bets on Its Forests" Bloomberg

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



- 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)
- 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 °C (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	Intermediation and financing	Demand	
Project development: a Limited number of project developers operating in Africa and low capacity of evicting developers (gene in parket evention implementation capacity of	High reliance on relationships, brokers and traders to bring supply to market	Concerns on the integrity of certain credit types (e.g., emissions reduction/ avoidance related to fossil fuel	
local expertise and core business capabilities)	High intermediation costs which reduces revenue share for suppliers	transition)	
b High capital intensity for project development		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)	
C Low economic viability for many projects due to insufficient carbon credit revenues or high opportunity costs	No standardized processes for rating/assessing important carbon credit co- banefite (e.g. community import)		
Complex / unfavorable regulatory landscape (e.g., related to land rights/ concessions, ownership of credits. Article 6, and split between nationally determined	 benefits (e.g., community impact) High reliance on continuous cash flow for small project developers (small developers cannot wait for higher prices or delay credit sales) 		
contributions vs. voluntary contributions)		t Pricing may not accurately reflect the value of Africa carbon credits and their	
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	Financing:	biodiversity)	
(g) Distrust of project-based REDD+ opportunities vs. jurisdictional projects	D Limited mechanisms to de-risk and enable investment in project development and supply	U Limited local demand (except for	
(h) Lower ease of doing business in some areas due to factors such as lack of infrastructure	(e.g., futures contracts, project supply-chain financing, insurance)	ecosystem (e.g., compliance markets, local voluntary purchasing)	
Validation / certification:	(q) High cost of capital for financing		
Methodologies not always relevant for Africa (e.g., limited methodologies related to pastureland or diesel replacement, technology use not designed for Africa)			
i 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



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	Intermediation and financing	Demand
1 Develop country voluntary carbon market activation plans that stimulate the carbon credit ecosystem, build local capacity and clarify regulation (e.g., land tenure)	5 Support African exchanges / marketplaces ensure quality, equity and marketing of differentiated African carbon credits to both African and global buyers	7 Set up an advance market commitment with large corporates or countries for African credits
2 Scale multiple new and existing African project developers / suppliers by building capabilities and capacity	 Financing: 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) 	8 Establish African carbon neutral commodities which bundle carbon credits with sale (e.g., palm oil, lithium, copper)
3 Scale up of programmes for micro carbon credits generation involving smallholder farmers while increasing community benefits		9 Advocate to build demand for African carbon credits including raising awareness of the integrity an quality of differentiated credits and opening up access
4 Build additional capacity and facilitate monitoring, reporting, and verification and validation activities of carbon credit generating projects in Africa		to compliance markets such as the EU, China, California, South Africa and/or South Korea compliance markets
 Pilot new proj pastoral livesto 	ect types and methodologies relevant to decarboniz ock, diesel decommissioning)	ation opportunities in Africa (e.g.,
◄ Establish a bi	odiversity / nature credit model	
Identify long-te coral reef, man	rm, innovative financing models/solutions for critical g groves)	eographic areas (e.g., Congo basin,
13 Ensure integrity of carbon markets including ali	gnment to global climate action, supply and demand in	ntegrity and equity for local players and communities



ACMI sponsors and steering committee

Steering Committee members			Sponsors
African governments	🍘 Yemi Osinbajo	Vice President, Federal Republic of Nigeria	Global Energy Alliance
Global expertise	🕼 Iván Duque Márquez	Former President, Republic of Colombia	for People and Planet
	Annette Nazareth	Chair, Integrity Council for Voluntary Carbon Markets	Rockefeller Foundation
	🔊 Samuel Thevasagayam	Director, Gates Foundation	
	Gillian Caldwell	Chief Climate Officer, USAID	Supporting partner
	Bogolo Kenewendo	Africa Director, Special Advisor, UN Climate Change High-Level Champions	UN Climate Change
	Kelley Kizzier	Director of corporate action and markets, Bezos Earth Fund	High-Level Champions
Verification/registry agencies	David Antonioli	CEO, Verra	Other Steering
Suppliers, financiers,	Sitoyo Lopokoiyit	CEO, M-PESA Africa	Committee contributors
buyers	Ariel Perez	Managing Partner, Vertree	C THE INTEGRITY COUNCIL Vertree.
	🚯 Riham ElGizy	CEO, MENA Voluntary Carbon Exchange	ACHIEVE YOUR CLIMATE AMBITIONS
	M. Sanjayan	CEO, Conservation International	Climate Action Platform Africa
Partner collaborators	Damilola Ogunbiyi	CEO, Sustainable Energy for All (SEforALL); Special Representative of the UN Secretary-General for Sustainable Energy for All	GATES foundation
	Joseph Nganga	Vice President Africa, Global Energy Alliance for People and Planet (GEAPP)	
	阙 William Asiko	Vice President for Africa, The Rockefeller Foundation	
			sidebal Energy Alliance or People and Planet

Recap: Approach to setting up Thematic Groups

Engagement model

- Ad-hoc calls 1 times between each SteerCo
- Offline review and input of critical content or areas decision-making

Thematic Group	Action Programme	SteerCo members	Technical members
A Country carbon mar- ket activation plans enabling environment	1 Country carbon market activation plans	 H.E. President Iván Duque Márquez Bogolo Kenewendo Gillian Caldwell 	
B Project development –	2 Scale African project developers	William Asiko Degele Kengwande	Technical, non- SteerCo members to be added to each
enablement	3 Scale up smallholder programs	Bogolo Kenewendo	
C Project development – investment and carbon financing	5 Support African exchanges/marketplaces	H.E. Vice-President Yemi Osinbajo	
	6 Deploy financing mechanisms to de-risk investment	 Ariel Perez Sitoyo Lopokoiyit Riham ElGizy 	
	7 Set up and advance market commitment (AMC)		
	8 Establish carbon neutral commodities		
	12 Identification of long-term innovative financing model		
MRV, integrity, and advocacy	4 Build additional MRV capacity	• H.E. Vice-President Yemi Osinbajo	
	9 Advocacy to build demand for African carbon credits	 Annette Nazaretn Samuel Thevasagayam David Antonioli 	Group
	Pilot new project types and methodologies	Kelley KizzierGillian Caldwell	
	(13) Promotion of carbon markets integrity, equity, and transparency		
Biodiversity / nature credit model	11 Establishment of a biodiversity/ nature credit model	 H.E. President Iván Duque Márquez M. Sanjayan David Antonioli 	
Engine room		 Damilola Ogunbiyi William Asiko Joseph Nganga 	

To download ACMI's roadmap report

Please visit seforall.org/ACMI



