

AFRICA CARBON FORUM 2010, Nairobi, Kenya, 3-5 March 2010

3rd March 2010, 10am

**The African Development Bank Group (AfDB) and Clean Development
Mechanism in Africa**

The African Development Bank is participating in the African Carbon Forum in Nairobi, Kenya. Hon President Mwai Kibaki of Kenya opened the conference this morning.

Highlighting Africa's potential in CDM, he articulated that while there have been 4890 CDM projects worldwide, only 40 have been approved in Africa and another 80 are in the preparation or registration process. Kenya had 5 CDM projects in 2008, which has gone up to 14 in 2009, but only one project has been approved so far. The Stockholm Environment Institute estimates that the \$126bn global carbon market in 2008 is likely to grow to \$2 to 3 trillion by 2020. President Kibaki highlighted the need for a National Climate Change strategy, and informed that Kenya has already put in place one. He also indicated that currently trading in forests is only via voluntary markets which is a strong disadvantage.

Speaking on Behalf of the AfDB, Mrs Hela Cheikhrouhou, Manager of the Private Sector Infrastructure Finance Department delivered the following address:

Honorable African Government representatives, UN Officials, Development Partners, Distinguished Guests, Ladies and Gentlemen,

On behalf of the African Development Bank, I would like to take this opportunity to thank all of you for your participation in this important conference on the Clean Development Mechanism. I would also like to thank the Government of Kenya for their kind hospitality and our partner organisers, particularly the UN agencies, for their joint efforts to make this important forum happen.

Much has already been said about the Clean Development Mechanism and its relevance for the continent. I would like to add to this another African perspective-that of the African Development Bank, which is in a unique position because of its focus exclusively on Africa.

As you know, Africa is the continent that is among the worst affected by climate change, even though it is not responsible for the phenomenon. Additionally, the energy deficit on the continent is huge.

The power generation capacity in Africa is only 37 megawatts per million of population which is a disappointing 10% of the average capacity in other developing countries. And these comparisons are only with low-income countries which are themselves behind the developed countries.

There are various figures to illustrate that in Africa, expansion of infrastructure is not a choice. It is a necessity. Africa needs electricity and it needs electricity from all available sources. Renewable energy in Africa is only one component of the total energy expansion it needs. However, it is essential, in order to ensure that the continent's infrastructure development is sustainable in the long term. What is also clear, however, is that often, clean energy investments in Africa need to be blended with concessional financing in order to make them financially viable for businesses and consumers.

It is here that the role of the carbon financing mechanisms such as the CDM and carbon credits becomes important, as through them projects can obtain the additional revenues necessary to make projects profitable and to bring the tariffs down. The CDM should be a tool that helps make projects bankable. It thus provides an opportunity to shape Africa's infrastructure development in a more sustainable fashion than conventional technologies, and to build on experiences of other parts of the world.

The need for scaling up renewable energy and promoting energy efficiency in Africa is evident. What is less obvious is how we are going to get there. More systematic access for African projects to clean financing mechanisms is necessary to make such a shift affordable to low income countries.

It is in this context that we are delighted to have you at the African Carbon Forum, which aims to bring together the actual practitioners of the CDM and to promote dialogue between the various stakeholders. Such a forum has been a long time coming and is timely in the context of the discussions recently held at Copenhagen.

The African Development Bank is working extensively in promoting and renewable energy on the continent via both its public and private sector windows. We do this via provision of both financial and technical assistance resources. Infrastructure development is on top of the list of priority sectors outlined in the Bank's *Medium Term Strategy* together with private sector development and regional integration. As the Bank ramped up its lending to a record \$9 bln in 2009 as part of its financial crisis response, energy represented more than 30% of this. In 2008 the Bank adopted the CEIF and is finalizing its Climate Change Action Plan.

AfDB also seeks to play a key role in Africa in supporting the implementation of REDD, the Reducing Emissions from Deforestation and Degradation programme

in the continent, as Africa's greatest abatement potential lies in the land use and forestry sectors. Last year we started rolling out annual training workshops for CDM Designated National Authorities (DNAs). The Bank is also implementing the Congo Basin Forest Fund, a \$100mln facility.

A key role for the Bank is to leverage financing from other sources, providing comfort to investors on the financial viability of projects. The perceived risks in these projects are high due to the relative long-term maturity of such investments and the sometimes new or expensive technology. The Climate Investment Funds are another example of such a mechanism via which the Bank, together with the World Bank Group, endeavours to bring down the risk and the cost of Clean Technology Investments.

Our experience so far has shown that the CDM should be made easily accessible and understandable for African applicants. We hope that this conference will provide us with a forum to share experiences on the CDM, and to learn from the challenges that have been faced in the process, in order to work better together for future CDM projects. We look forward to continued and fruitful interaction with you over the next three days.

Thank you and we wish you fruitful deliberations.