Adaptation metrics for innovative results-based adaptation and resilience finance

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Introduction to the Adaptation Benefit Mechanism

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Adaptation Metrics?

- Unlike emissions and mitigation, the Parties have not defined a "unit" of adaptation
- However, there are no quantitative targets to meet for adaptation, so in fact, we do not specifically need "units" at the current point in time
- The only "commitment" relating to adaptation is the Copenhagen pledge to mobilize USD 100 Bn of climate finance by 2020, 50% for adaptation
- So the only target we currently have is a financial target
- HOW MUCH MONEY ARE WE PUTTING INTO GENUINE ADAPTATION PROJECTS

What is the Adaptation Benefit Mechanism?

- A new and innovative mechanism designed to channel grant funds to private sector investors (blending public and private funds)
- To overcome barriers to investment (risks, low IRR, DSCR…)
- And to leverage public funds with private investment for adaptation
- Based on the modalities and procedures of the CDM but with some important differences
  - Different methodologies will yield different kinds of Adaptation Benefits
  - Hence they are not fungible / priced differently
  - They are not tradable (they don't need to)
  - On redemption, the off-taker gets a certificate confirm the amount of (public) funds granted to the project and a consolidated report of the amount of (private) investment funding leveraged

Example: Climate information system for farmers

- Why is this adaptation? Provides good quality weather data to help farmers manage planting and harvesting in a variable climate; also disaster awareness
- Technology: satellite data, analysis, forecasting, dissemination, client management, assessing accuracy of forecasts
- Through an Adaptation Benefits Off-take Agreement (ABOA), donor agrees to pay USD [25] subscription per farmer per year for [five] years on proof that the forecasts meet an accuracy and timeliness criteria defined in the methodology. This guarantees early cash flow
- Assume if the forecasts are accurate, farmers will use the information to improve yields, which will translate into them paying the subscription fees from year six.

Example: Clean cooking in Kampala

- Why is this adaptation? Frees up time; cheaper; healthier; reduces deforestation. Also mitigates GHG emissions - these are considered to be co-benefit for the host country
- Technology: liquid or gaseous fuel to replace solid fuel – bioethanol from sugar industry; bioethanol from water hyacinth or bottled gas
- Local energy company needs funds to overcome financial barriers
- Through an Adaptation Benefits Off-take Agreement (ABOA), donor agrees to pay USD [25] per HH per year for [four] years on proof that the HH has used liquid / gas fuel as their major source of cooking energy each year
- Assume that HH is using clean technology if they purchase more than [100 Kg] of LPG via mobile money per annum and we assume if they are suing bottled gas, the adaptation benefits will materialize over time

How does this support investment?

- The ABOA when signed with a credit worthy off-taker, becomes a new source of additional cash flow
- Can be used to attract equity or raise debt
- In order to address the risks for lenders, we are also proposing to take a Share of Proceeds and use this to offer Partial Risk Guarantees to lenders

Current status?

- ABM is listed under Art 6.8 of the Paris Agreement as a Non-Market Mechanism
- AfDB is seeking funds from a number of sources including GCF to pilot projects
- UN Capital Development Fund (UNCDF) will work with AfDB to pilot projects in selected countries
- CIF, Governments of Uganda and Cote d'Ivoire are supporting the concept

- More info google "Adaptation Benefit Mechanism"
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