



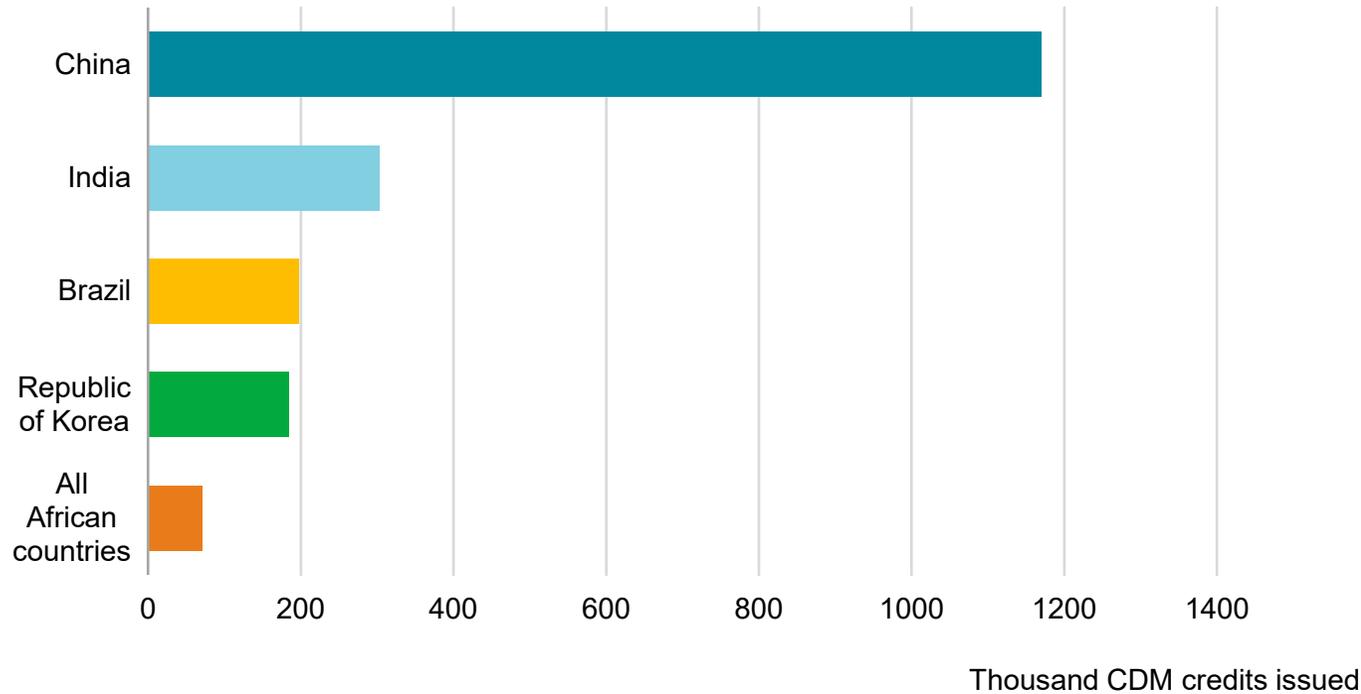
Insights from the Africa Energy Outlook 2022 on carbon markets potential for Africa

Session 4: Formulation of Pricing Strategy

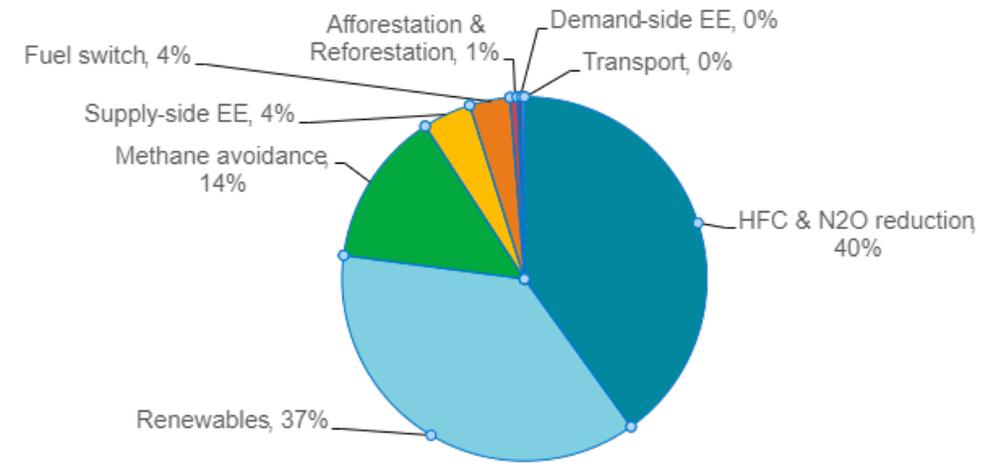
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March 29, 2023

CERs issued by country



Registered CDM projects in Africa by type

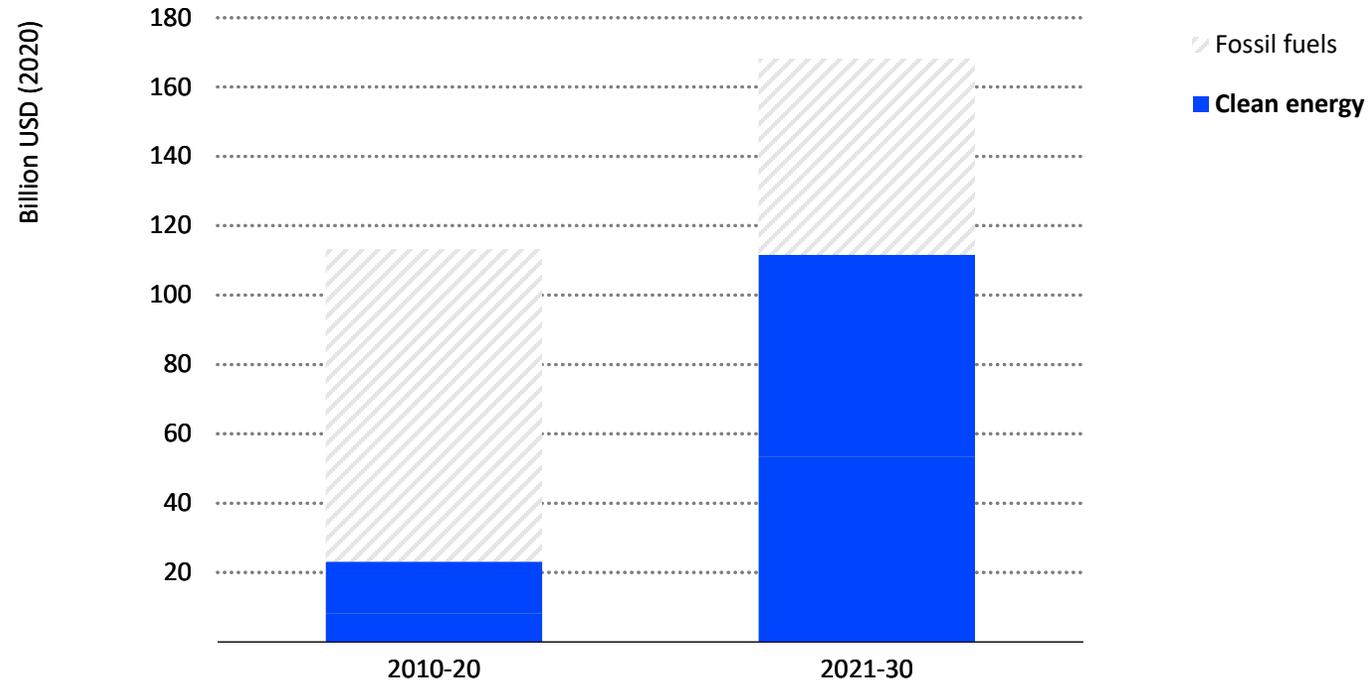


Source: Own analysis, based on CDM Pipeline Analysis (2023).

Carbon markets could help African countries develop mitigation projects and receive funding, but experience has so far been limited by various financial, technological and capacity building barriers.

Increasing financial flows to Africa is an absolute priority

Average annual investments in clean energy and share of these from private sources



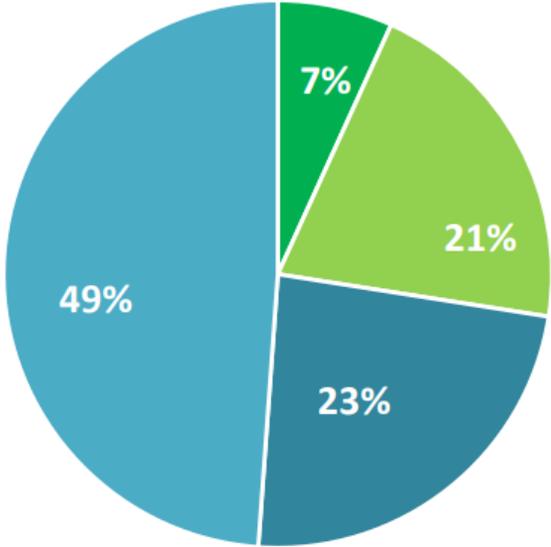
Source: IEA (2022)

Investment in clean energy needs to grow sixfold. Multilateral development banks must increase concessional finance flows to energy and adaptation in Africa, and must use it strategically to attract greater private sector capital.

Developing new sources of finance is essential

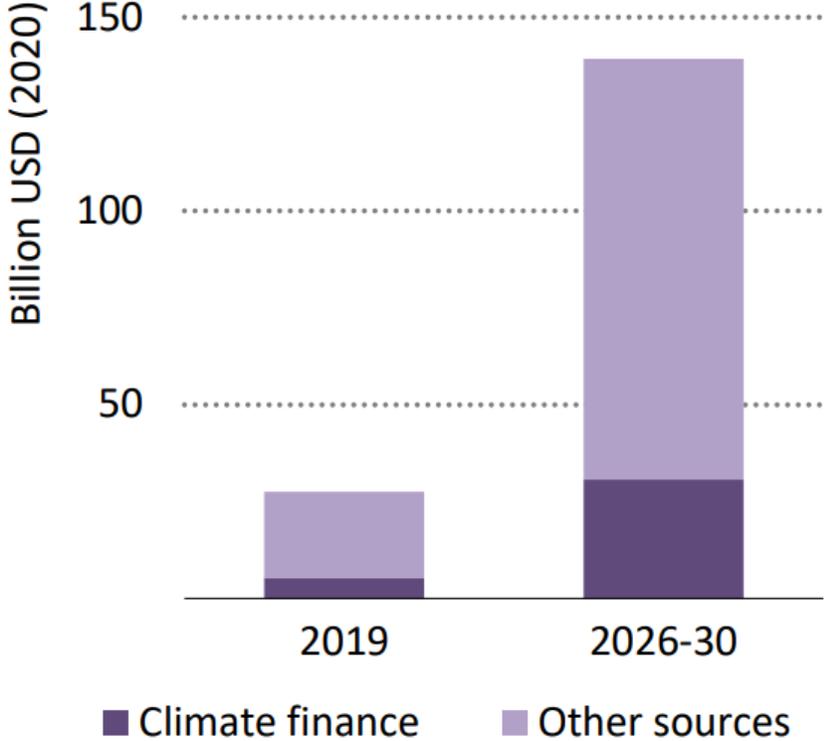
Climate finance from developed countries to Africa in the SAS

Annual climate finance commitments, 2019



Africa ■ Energy related ■ Other
Rest of world ■ Energy related ■ Other

Clean energy investment in the SAS



Source: IEA (2022)

Source (both graphs): African Energy Outlook, IEA (2022).

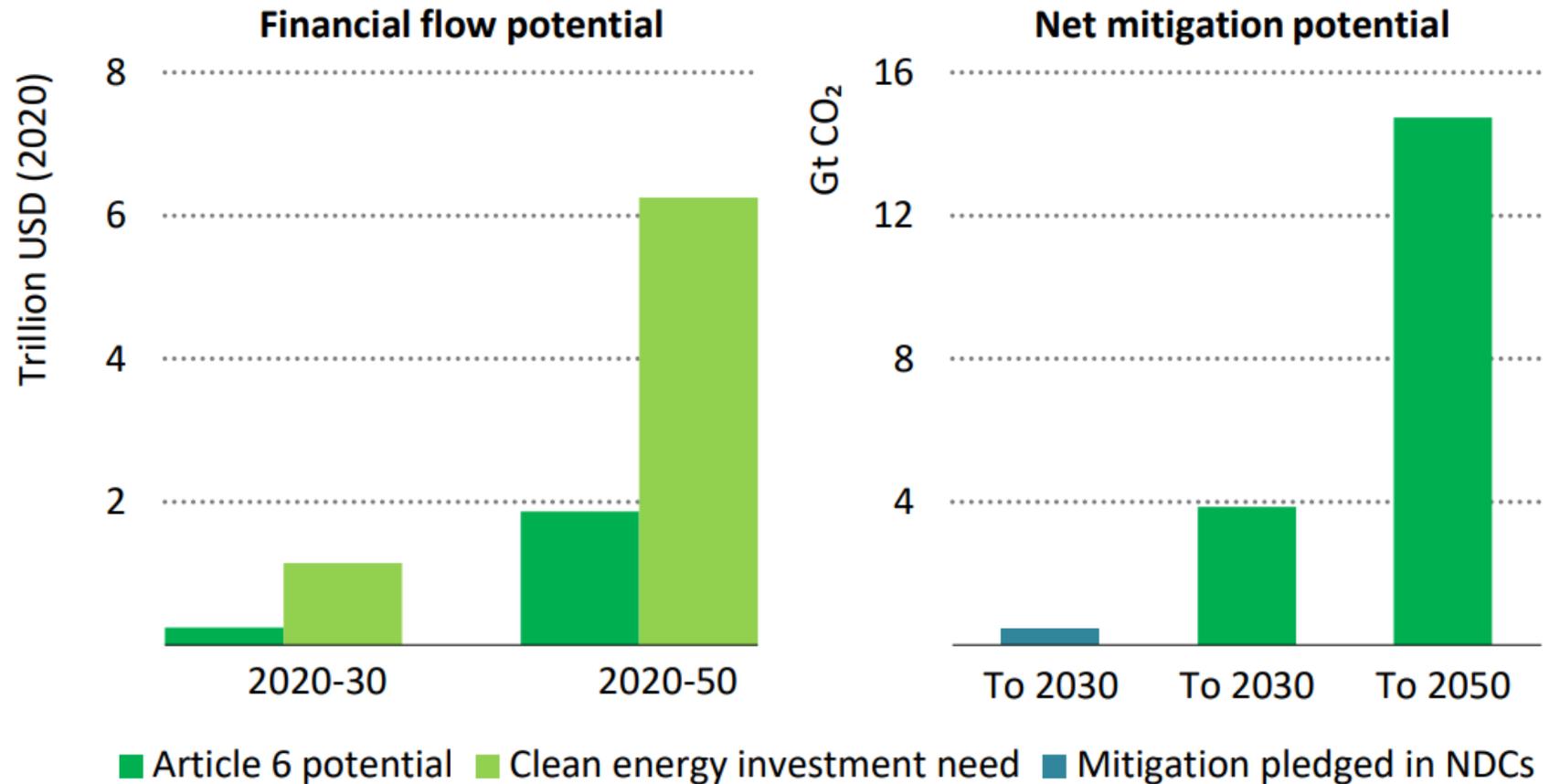
Climate finance flows from developed countries to Africa have to increase fivefold by 2026-30 compared with 2019 to meet clean energy investment needs

International carbon markets have important financing potentials

Explicit intended Article 6 participation in NDCs (as of June 2022)

Angola	Morocco
Botswana	Mauritania
Burundi	Nigeria
Congo	Rwanda
Egypt	Senegal
Ethiopia	Tunisia
Ghana	Uganda

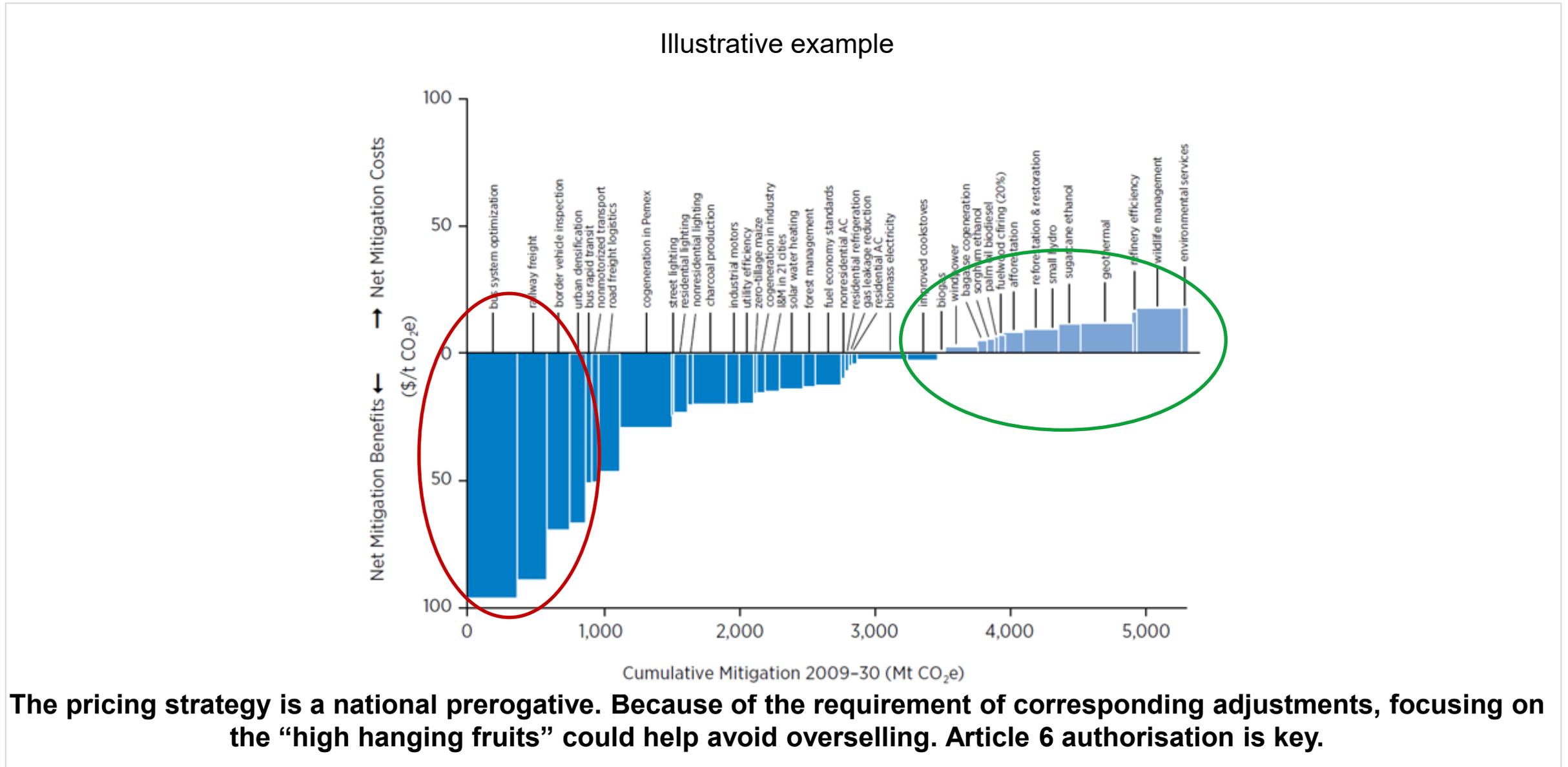
Article 6 financial flows and CO₂ emissions reduction potential in Africa in the SAS



Source: IEA (2022)

The implementation of Article 6 mechanisms could deliver financial flows that exceed 20% of required investments in clean energy by 2030 (USD 225-245 billion) and reach roughly 30% by 2050 (nearly USD 2 trillion).

Article 6: formulation of the right pricing strategy



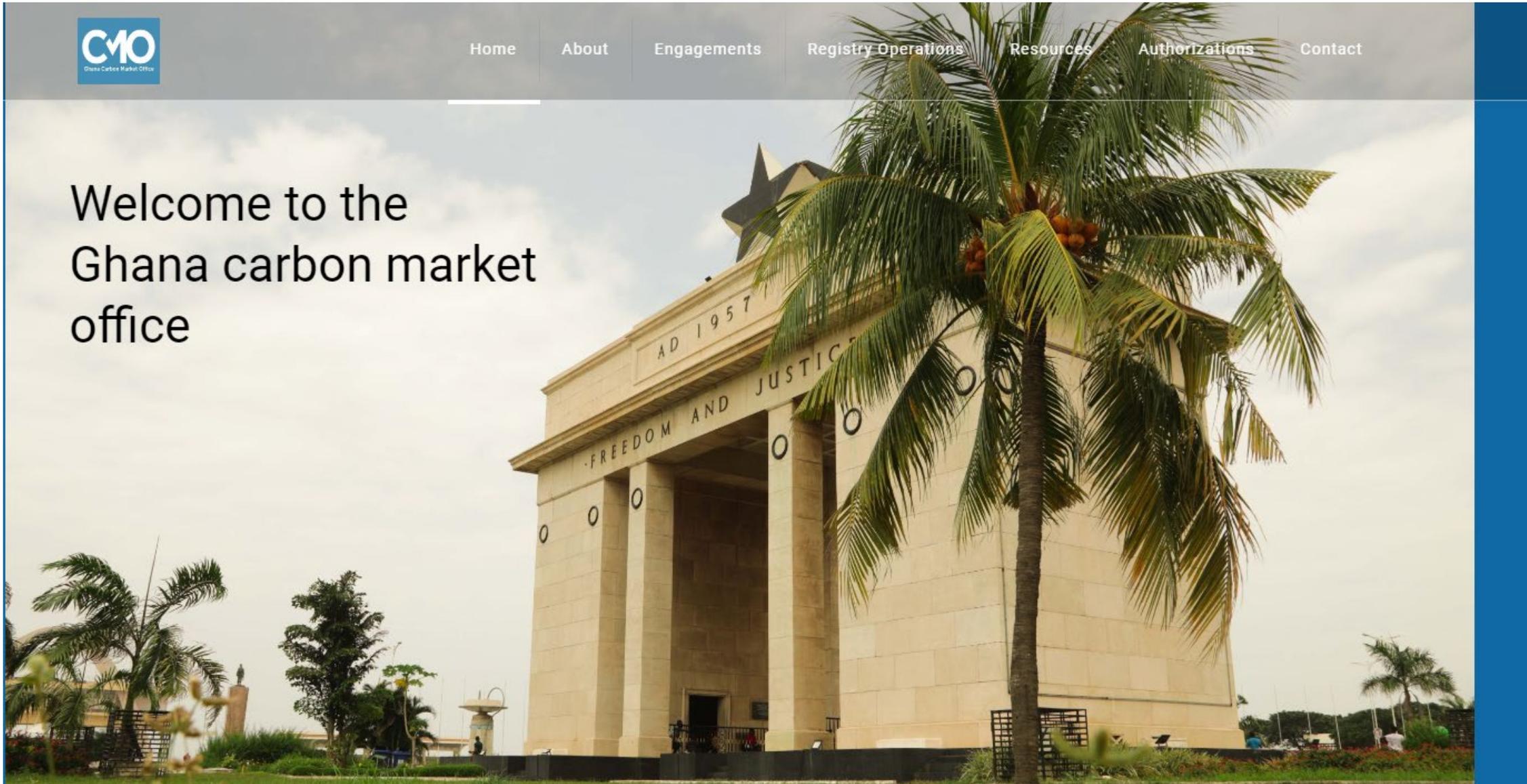
The pricing strategy is a national prerogative. Because of the requirement of corresponding adjustments, focusing on the “high hanging fruits” could help avoid overselling. Article 6 authorisation is key.

What is needed for African countries to get ready to capture Article 6 opportunities?

Element	Article 6 readiness measure	Examples (2021)
Article 6 policy strategy	Guiding principles for ITMOs eligibility	-
	Private sector stakeholders consultation	Burkina Faso, Nigeria, Senegal
	National Article 6 strategy	-
	Article 6 pilot projects	Gambia, Senegal, Togo
	Procedures to comply with the ETF	Liberia, Sierra Leone
Institutional framework / Governance structure	National legal framework for Article 6 participation (authorisation, accounting rules, etc.)	Senegal
	Updated UNFCCC GHG Inventory	Benin, Liberia, Senegal
	Article 6 DNA	-
Monitoring, Reporting and Verification (MRV) framework and infrastructure	National ITMO registry	-
	Technical capacities to develop baselines and methodologies in line with Article 6 requirements	Ghana, Togo

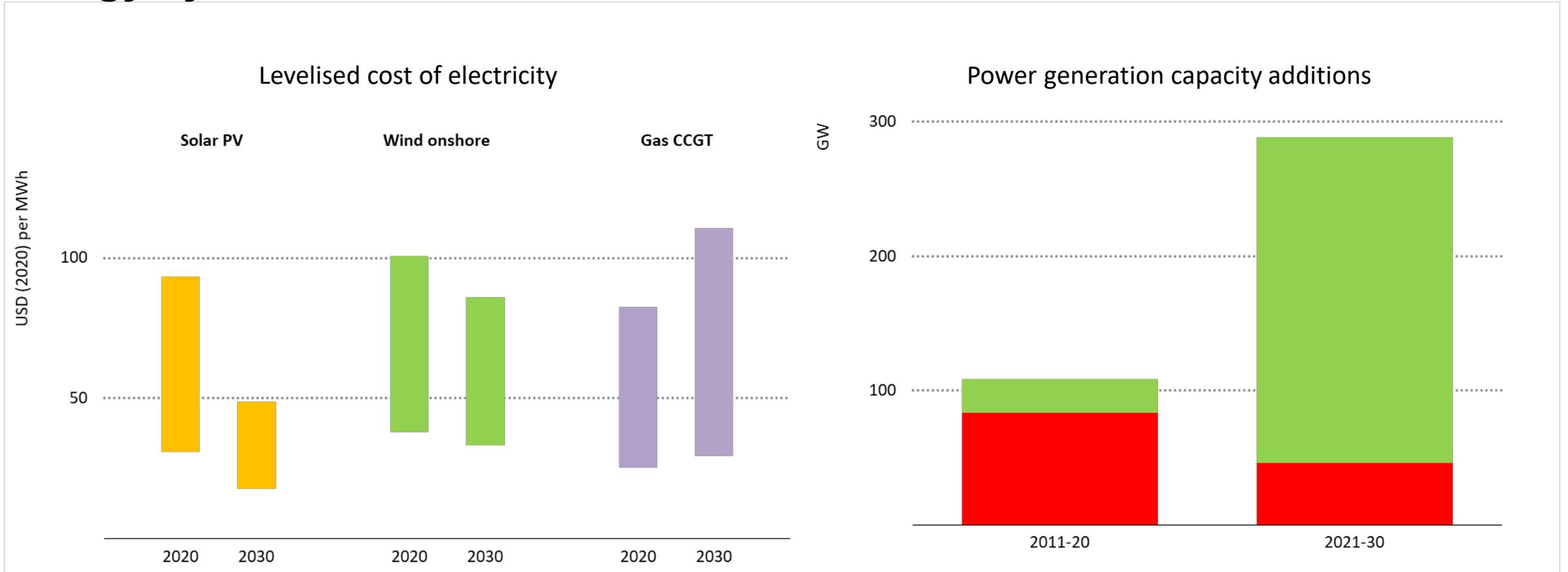
Sources: IEA (2022)

Some best practices are emerging...



Welcome to the
Ghana carbon market
office

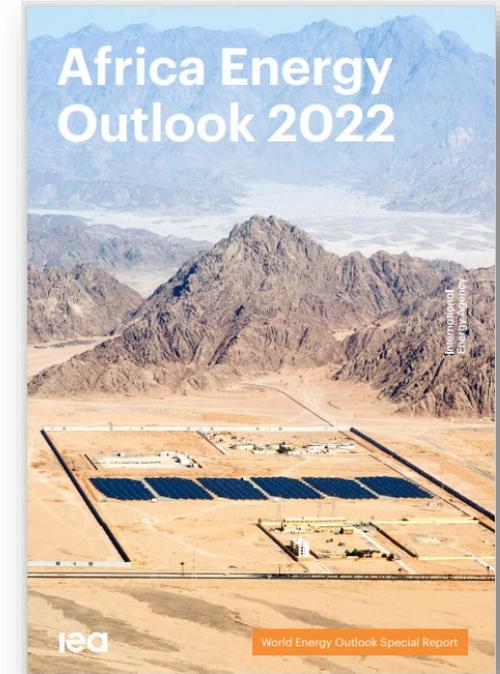
Article 6 opportunities: solar is the backbone of Africa's future energy system



Source: IEA (2022).

Africa is home to 60% of the world's best solar resources, but just 1% of installed capacity. Renewables account for 80% of the 290 GW of capacity additions to 2030, led by cheap solar.

- African countries struggled to participate in carbon markets so far
- Article 6 participation could be an important factor of Africa's energy future
- Capacity building and infrastructure are essential elements for engaging in Article 6 voluntary co-operation



IEA Financing Clean Energy Transitions in Africa (2023, forthcoming)

Thank you!



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