

Hundreds of millions of dollars pledged for African carbon credits at climate summit

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An initiative to boost Africa's carbon credit production 19-fold by 2030 drew hundreds of millions of dollars in pledges on Monday, 4 September, as Kenyan President William Ruto opened the continent's first climate summit.



Source: Reuters.

In one of the most anticipated deals, investors from the United Arab Emirates (UAE) committed to buying \$450m of carbon credits from the Africa Carbon Markets Initiative (ACMI), which was launched at Egypt's Cop27 summit last year.

"We must see in green growth, not just a climate imperative but also a fountain of multi-billion dollar economic opportunities that Africa and the world is primed to capitalise," Ruto told delegates.

African leaders are pushing market-based financing instruments, such as carbon credits, or offsets, which can be generated by projects that curb emissions, usually in developing countries, such as planting trees, or switching to cleaner fuels.

Carbon credits can then be bought by companies to offset emissions they are unable to cut from their own operations to help meet climate targets. One credit is equivalent to saving or avoiding one ton of carbon dioxide.

Organisers of the three-day summit in Nairobi say they aim to showcase that Africa as a destination for climate investment rather than a victim of floods, drought and famine.

African governments see carbon credits and other market-based financing instruments as critical to mobilise funding that has been slow to arrive from rich-world donors.

The offset market was worth around \$2bn in 2021 and Shell and Boston Consulting Group jointly forecast in January that it could reach between \$10bn and \$40bn by 2030.

Several speakers at the summit said they had seen little progress toward accelerating climate financing because investors still saw the continent as too risky.

Africa has received only about 12% of the money it needs to cope with climate impacts, according to a report last year by the non-profit Climate Policy Initiative.

"There hasn't been any success for an African country in attracting climate finance," said Bogolo Kenewendo, a United Nations climate adviser and former trade minister in Botswana.



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Kevin Kariuki, a vice president at the African Development Bank, said the deals announced on Monday were "very welcome" but not enough.

He said African states would push at the Cop28 UN climate summit in Dubai, at the end of November, for the expansion of special drawing rights at the International Monetary Fund that could unlock \$500bn worth of climate finance, which could be leveraged up to five times.

"The private sector really remains an untapped opportunity that now must be seized," said Patricia Scotland, secretary-general of the Commonwealth of 56 countries.

"If you look at what we've got on thermal energy, on solar, on wind, on hydro, this is a powerhouse just waiting to be unleashed," she said.

More than 20 presidents and heads of government are expected to attend the summit from Tuesday. They plan to issue a declaration outlining Africa's position ahead of a UN climate conference later this month and the Cop28.

Investments

The oil-producing UAE has been positioning itself as a climate-financing leader in Africa.

The \$450m commitment by UAE Carbon Alliance, a coalition of private sector players, was announced by Hassaan Ghazali, an investment manager at the UAE Independent Climate Change Accelerators (UICCA).

Climate Asset Management - a joint venture of HSBC Asset Management and Pollination, a specialist climate change investment and advisory firm - also announced a \$200m investment in projects that will produce ACMI credits.

Britain said UK-backed projects worth 49m pounds (\$62m) would be announced over the course of the summit, while Germany announced a 60m euro (\$65m) debt swap with Kenya to free up money for green projects.

Many African campaigners have opposed the summit's approach to climate finance, and about 500 people marched in downtown Nairobi on Monday to protest.

They say carbon credits are a pretext for continued pollution by wealthier countries and corporations, who should instead pay their "climate debt" through direct compensation and debt relief.

Sultan Al Jaber, president of Cop28, said carbon markets were an important tool, but "a lack of commonly-agreed standards was undermining their integrity and diminishing their value".

A working paper released by the Debt Relief for Green and Inclusive Recovery Project found that sub-Saharan African countries face annual debt servicing costs that are nearly the same as their climate finance needs.

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