

Carbon project development in Africa: perspectives on legal and financial gaps

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About Twesigye & Namanya

- Ugandan registered law firm.
- We provide legal and other consulting advice to all stakeholders involved in CDM/carbon project development including Government bodies, project developers, Designated Operational Entities, financial institutions, UN agencies & other international bodies.
- We are also actively engaged in international climate negotiations through the provision of technical support to the Government of Uganda.

Presentation outline

A. View of Market gaps and bottlenecks

B. Impact of regional policies

A. View of market gaps and bottlenecks

Examples from registered projects

- 1. Recovery of associated gas that would otherwise be flared at Kwale oil-gas processing plant-Nigeria**
- 2. Matola Gas Company Fuel Switch Project-Mozambique**
- 3. Nile Basin Reforestation Project-Uganda**
- 4. Rwanda Electrogaz Compact Fluorescent Lamp (CFL) distribution project-Rwanda**
- 5. Humbo Ethiopia Assisted Natural Regeneration Project-Ethiopia**
- 6. Félou Regional Hydropower Project-Mali**

1. Efficient Fuel Wood Stoves-Nigeria

Brief description of the Project:

- The purpose of the project activity is the dissemination of up to 12,500 efficient fuel wood stoves in different states at subsidized prices.
- Users are households who previously used inefficient, traditional fireplaces.

Nigeria project-cont'd

- **Some of the Barriers described in the Project Design Document (PDD) include the following:**
 - Users do not have the financial capacity to purchase the fuel efficient stoves (each stove at approx. USD 170).
 - Users would have to first be subsidized in order to afford the improved stoves *-similar activities in the region have only been implemented with grant support. This increased the overall cost of the project.*
 - Lack of awareness in the community about the potential benefits of using the fuel efficient stoves.
 - Technology used in the manufacture of fuel efficient stoves is not readily available (including the lack of skilled manpower).
 - The above barriers are equally applicable to other similar clean energy projects. E.g. solar projects.

2. Matola Gas Company Fuel Switch Project-Mozambique

- The project involves switching from coal to natural gas at a cement manufacturing factory.
- A key barrier identified in the PDD relates to lack of skilled/trained manpower to operate and maintain the **technology**.

3. Nile Basin Reforestation Project-Uganda

- In the Project Design Document (PDD) it is stated that the Ministry of Water, Lands and Environment is *still in the process of developing a respective regulation to define carbon credit ownership.*
- The PDD further states that *the current understanding of the Ministry is that the person/institution utilizing the land,* i.e. the land user owns the carbon credits in Uganda.
- The **so-called understanding** of the Ministry most likely refers to an understanding of an individual official within the Ministry.
- This uncertain definition of carbon credit ownership discourages rather than encourages CDM investment.
- Adoption of a specific legal instrument would eliminate this type of barrier.

4. Rwanda Electrogaz Compact Fluorescent Lamp (CFL) distribution project-Rwanda

- The project involves distribution of fluorescent lamps to households thus replacing inefficient lamps.
- Finance is identified as a key barrier by the PDD.
- Inefficient lamps are sold at approx. US\$ 0.4 while the efficient fluorescent lamps are as high as US\$ 7.
- For the project to succeed, the efficient lamps had be subsidized to make them affordable to the households-thus increasing the overall cost of the project.

5. Humbo Ethiopia Assisted Natural Regeneration Project-Ethiopia

- This is a reforestation and afforestation project
- The PDD identifies **barriers relating to land tenure, ownership, inheritance and property rights.**
- Prior to the implementation of the project area, the area had been categorized as communal land.
- Within Ethiopia, communal lands have no specific land management rights associated to any individuals or communities.
- In order to overcome this barrier, the government was willing to allocate user rights (a form of land tenure delivering management and forest product rights) to the community (through the forest cooperative).

6. Félou Regional Hydropower Project- Mali

- The project is a 62.3 MW hydro-electric power construction on a river that will deliver clean energy to the grid.
- A key barrier identified by the PDD includes commercial, long-term credit is not available for the capital investment required by the project.
- To overcome this barrier, the project had to seek financing from the World Bank.

Removing some barriers through adoption of flexible UNFCCC registration rules for CDM projects

- ***Action has already been taken in some cases:***
e.g. reduction of the transaction costs for least developed countries (LDCs) through abolishment of the registration fee for CDM projects hosted in these countries.
- Action is further recommended by the EB CDM with respect to the following:
 - development of more small-scale methodologies with the potential for application in African countries amongst others.
 - Creation of a CDM project development fund
 - Adoption of a conservative criteria while assessing additionality of CDM projects.

Regional policies

- Regional trade integration policies have the potential to boost CDM investments.
- For instance, the ***Common Market for Eastern and Southern Africa (COMESA)*** has proposed the establishment of an ***African Bio-Carbon Facility*** to promote CDM investments.
- If established, such a fund would help in removing some of the barriers that have impeded CDM development.
- Similarly, the ***East African Community Climate Change Policy*** encourages member states to proactively pursue international carbon market opportunities.

THANK YOU!

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