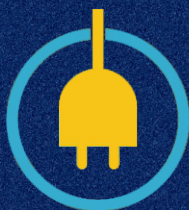


A SIMPLIFIED GUIDE: Africa Carbon Market Initiative

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Executive Summary

The Roadmap report on the African Carbon Market Initiative was released in November, 2022 at the the Conference of Parties 27 at Sharm El-Sheikh, Egypt, spearheaded by the Global Energy Alliance for People and Planet (GEAPP), Sustainable Energy for All (SEforALL) and the United Nations Economic Commission for Africa (UNECA) with support from the UN Climate Change High-Level Champions aims to expand Africa's voluntary and compliance carbon markets, enhancing the continent's contribution to global carbon reduction under the Paris Agreement.

As Voluntary Carbon Markets are rapidly growing and complementing direct decarbonization efforts, global companies are introducing carbon credit in their net zero strategies. Africa has significant potential to access climate funding and drive development through carbon markets. The African Carbon Market Initiative aims to mitigate climate change by incentivizing projects that reduce greenhouse gas emissions. These initiatives involve carbon pricing mechanisms, fostering renewable energy projects, promoting afforestation, and supporting sustainable development initiatives across Africa.

The ACMI aims to address challenges inhibiting voluntary carbon market growth in Africa and achieve 4 core objectives by 2030. These objectives the ACMI aims to achieve are:

- Growing African carbon credit retirements, creating or supporting commodities, advocating for demand and ensuring high integrity buyers.
- Cross-cutting action programmes to pilot new project types, exploring financing models and produce financing models and promote valuing co-benefits of carbon projects.
- Carbon credit integrity is a critical focus, with a need for transparency, equity, and effectiveness in validation and verification processes.
- Africa can explore developing carbon projects based on new methodologies to unlock potential and create additional value in the market.

Clean Technology Hub has simplified the roadmap report for different target groups to provide more comprehensible information tools around the Africa Carbon Market Initiative. The guide is to amplify the nature of the Carbon Market in Africa and how they fit in globally.

Glossary

Carbon credit terminology

Additional:

A prerequisite for developing carbon credit algorithms. Explains initiatives whose effects, like emissions reductions, would not be possible in the absence of funds from carbon credits.

Avoidance:

Along with removal, one of the two main forms of carbon credits. Avoidance programmes reduce the emission of greenhouse gases that would otherwise be emitted, such as preventing deforestation in a heavily logged area.

Leakage:

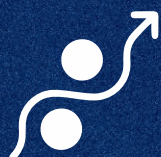
Risk management must be considered while developing carbon credit methodologies. Describes scenarios in which the direct impact of a carbon reduction effort is outweighed by its indirect effects. For example, shielding a forest from logging may result in an increase in logging in neighboring woods, offsetting the desired benefit.

Net- Zero:

Net zero refers to the balance between the amount of greenhouse gas (GHG) that is produced and the amount that is removed from the atmosphere.

Reducing emissions from deforestation and forest degradation (REDD+):

Framework for emissions-limitation programs focused on preventing deforestation that was negotiated under the United Nations Framework Convention of Climate Change (UNFCCC). REDD+ credits are not allowed in the Clean Development Mechanism but are common in the voluntary carbon markets.





Removal:

One of the two main categories of carbon credits, in addition to avoidance. The goal of removal projects is to absorb more CO₂ back from the atmosphere in order to lessen the possibility of a greenhouse impact. For instance, carbon from the atmosphere can be taken up by photosynthesis and artificial processes such as faster mineral weathering and direct air capture.

tonne of CO₂ equivalent. Standardized unit for greenhouse gases that expresses all emissions in terms of the amount of CO₂ with equivalent global warming potential.

Carbon regulation terminology Carbon pricing (incl. carbon tax):

A legally binding system that connects the external costs of greenhouse gas emissions to the sources of pollution. Typically implemented as a carbon tax—a flat charge paid per tonne of carbon emitted—or as an Emissions Trading System (ETS).

Emissions trading system (ETS): There are different types of ETS. In a “cap-and-trade system” regulators set a fixed upper limit on total emissions (‘cap’) and auction or distribute allowances (typically, one allowance grants the right to emit one tonne of CO₂e). Under a “baseline-and-credit system” each individual entity is required to reduce emissions at a certain rate. Companies that reduce emissions faster than they are obliged to can earn ‘credits’ which they can sell to entities which do not meet their required obligations.

Climate Funding:

Climate finance is an umbrella term for loans, investments, and other forms of financial capital allocation in the area of climate change mitigation, adaptation and/or resiliency

Validation and Verification Bodies (VVBs):

Validation/Verification Bodies (VVBs) play an important role in this monitoring, review and validation process, conducting third-party assessments to provide independent confirmation that projects are in line with Standard Requirements



Climate diplomacy terminology Conference of Parties (COP):

COP stands for Conference of the Parties and it often refers to the United Nations Framework Convention on Climate Change (UNFCCC) international meeting focusing on climate. COP is the main decision-making body of the UNFCCC.



Kyoto Protocol:

International treaty adopted in 1997 that aimed to reduce the emission of GHGs and prevent global warming. The treaty committed industrialized countries and “economies in transition” to GHG reductions, established a GHG monitoring and review system, and created a set of “market-based mechanisms”, including the CDM, that allow for emissions trading.



Nationally Determined Contribution (NDC):

A national plan to reduce emissions and adapt to climate change. Parties under the Paris Agreement are required to submit an NDC every five years.



Paris Agreement:

Landmark 2015 international treaty on climate change. Article 6 of the Paris Agreement covers voluntary international cooperation, including carbon trading. Additional details on the implementation of Article 6 were agreed to at COP26 in Glasgow.

Background

The Paris Agreement's goals for reducing greenhouse gas emissions globally have made it imperative for nations and organizations to concentrate on the direct decarbonisation of their operations. Voluntary carbon markets, or VCMs, are beginning to play an important role in supporting these initiatives. Ultimately, with the global efforts to achieve net zero, multinational corporations are progressively adding carbon credits that represent avoided CO₂ equivalent (CO₂e) emissions or removed CO₂e from the atmosphere.



The African Carbon Market Initiative was announced during the COP27 summit in Egypt; it is aimed at shaping and harnessing Africa's carbon market potential. The Africa Carbon Markets Initiative (ACMI) was founded with the backing of a coalition of organizations focused on clean energy and sustainable development. Some are; the Global Energy Alliance for People and Planet, Sustainable Energy for All (SEforAll), and the United Nations Economic Commission for Africa (ECA) etc

The ACMI's goal is to significantly enhance the production of African carbon credits while ensuring that carbon credit revenues are transparent, equitable, and provide good jobs. The integrity of carbon credits is crucial to the goal of ACMI, because without integrity, the demand for credits in the VCMs may not be productive in Africa

Nigeria and other African countries shared their commitment to collaborating with the ACMI to achieve the objective to scale the production of carbon credit across the continent. Concerning this commitment, it is expected that the Nigerian government will put in place a framework for the implementation of a carbon credit system in Nigeria.



CHAPTER ONE: WHY CARBON MARKET MATTER FOR AFRICA

- Carbon Market represents a transformational economic and development opportunity for Africa.
- High Integrity Carbon Credit Projects have been suggested to not only reduce emission and remove CO₂e from the atmosphere, drive community impact but offer opportunities to drive development such as expanding energy access, improving health through clean cooking and creating jobs. They are also gaining traction as a crucial way of channeling finance to developing countries and that have the potential of becoming a meaningful commodity.
- The Unrealised potential and opportunity of diverse development impact is the foundation for the launch of the African Carbon Market Initiatives

Developmental Benefits of Voluntary Carbon Market to Africa

1. **Forestry and Land Use:**



Africa has a uniqueness with its biodiversity. ACMI through VCM aims to increase protection and create awareness

2. **Agricultural and Soil Sequestration:**



Over 33 million Smallholder farmers could receive direct payment and improved soil from planting trees.

3. **Renewable Energy:**



Africa could benefit from increased energy access and improved air quality by utilizing renewable energy sources

4. **Job Opportunities:**



Through the voluntary carbon market ecosystem, Africa's working age population could grow significantly.

5. **Livestock:**



Direct payment for their management of carbon sinks could be advantageous for pastoralists.

6. **Households:**



Africa using charcoal for cooking fuel could experience major health benefits from transitioning to highly efficient cooking alternatives.



Guide to the African Carbon Market Initiative Roadmap

What is the Africa Carbon Market Initiative?

The Africa Carbon Markets Initiative (ACMI) was founded by a coalition of organizations committed to high-integrity climate impact, clean energy, and sustainable development. It aims to accelerate the creation of Africa's voluntary carbon markets. The Global Energy Alliance for People and Planet (GEAPP), Sustainable Energy for All (SEforALL), and United Nations Economic Commission for Africa (UNECA) initiated the initiative, which received support from UN Climate Change High-Level Champions. The initiative was led by a steering committee of 13 African leaders and carbon market qualified professionals.

ACMI aims to support African governments, communities, project developers, and stakeholders to enhance the supply and demand for high integrity African carbon credits. This will supplement direct decarbonisation and deliver real climate action, while also creating millions of jobs and supporting energy access, biodiversity, and livelihoods. ACMI created a roadmap of action programmes to benefit all stakeholders in the VCM ecosystem, including project developers, buyers, intermediaries, financiers, technical assistance providers, validation/verification bodies, registry agencies, and governments.

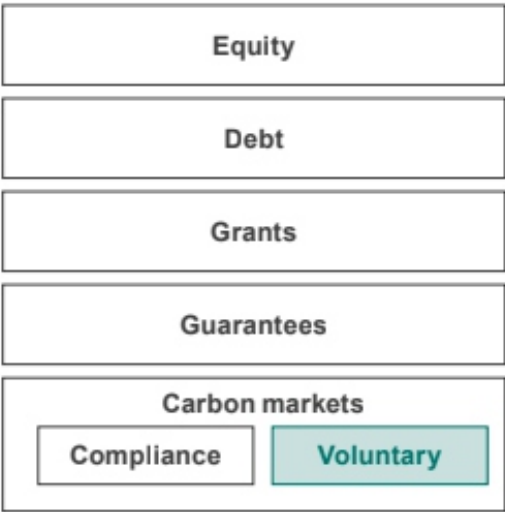
Integrity is key to ACMI's mission. ACMI will collaborate with leading organizations like the Integrity Council for the Voluntary Carbon Market (ICVCM) and the Voluntary Carbon Markets Integrity Initiative to establish transparency and benefits-sharing standards for sellers and buyers. This will ensure that as VCMs expand in Africa, they focus on projects that have a significant impact on climate and development.



CHAPTER TWO: ACMI ON THE CURRENT STATE OF VOLUNTARY CARBON MARKET

Carbon credits (sometimes called offsets) are certificates representing one tonne of CO₂e that has either been prevented from being emitted or removed from the atmosphere. To verify a project's climate impact, it must be independently assessed and meet specific conditions, such as demonstrating that the impact is permanent and would not have occurred without the revenue derived from carbon credits. The certificates generated can be traded and sold to people or corporations to offset emissions and meet climate targets.

Exhibit: Carbon markets are only one type of climate financing source among others (illustrative)



(image from ACMI Roadmap)

Types of Carbon Markets

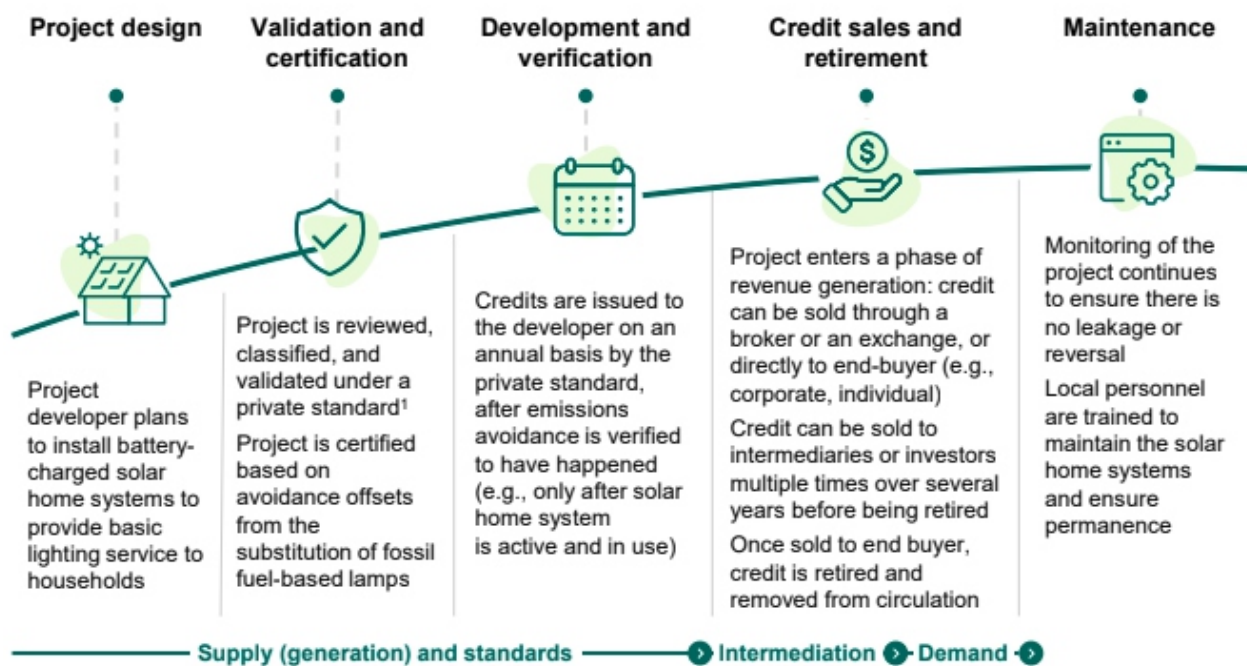
The two types of carbon market are Compliance and Voluntary Market.

In **compliance markets**, companies and governments must account for their greenhouse gas emissions as required by regulation. There are different types of compliance markets.

In **voluntary markets**, a project developer sets up a project that avoids certain emissions (e.g., landfill gas treatment and management) or removes CO₂e from the atmosphere (e.g., afforestation or direct air capture). A neutral validation/verification body evaluates projects to ensure that they meet the requirements specified by a standard setter. Once approved, carbon credits are awarded to the project in an amount equal to the mitigation impact accomplished.

Exhibit: Illustration of the lifecycle of a carbon credit in a distributed renewable energy project

Based on Gold Standard-certified project in LDC



1. For renewable energy projects, often only countries on the UN's list for least developed countries can qualify for carbon credit generation.

Note: Based on methodology AM0019 Renewable energy project activities replacing part of the electricity production of one single fossil-fuel-fired power plant that stands alone or supplies electricity to a grid, excluding biomass projects



(image from ACMI Roadmap)

- ACMI focuses on VCMs because they are the primary market for African-origin carbon credits. VCMs facilitate cross-border financing transfers from the Global North to the Global South and support projects that support Africa's development priorities, such as expanding energy access. However, some of the ACMI action programmes also address the compliance market.

State of Voluntary Carbon Market Globally

Four major developments have influenced the voluntary carbon markets globally.

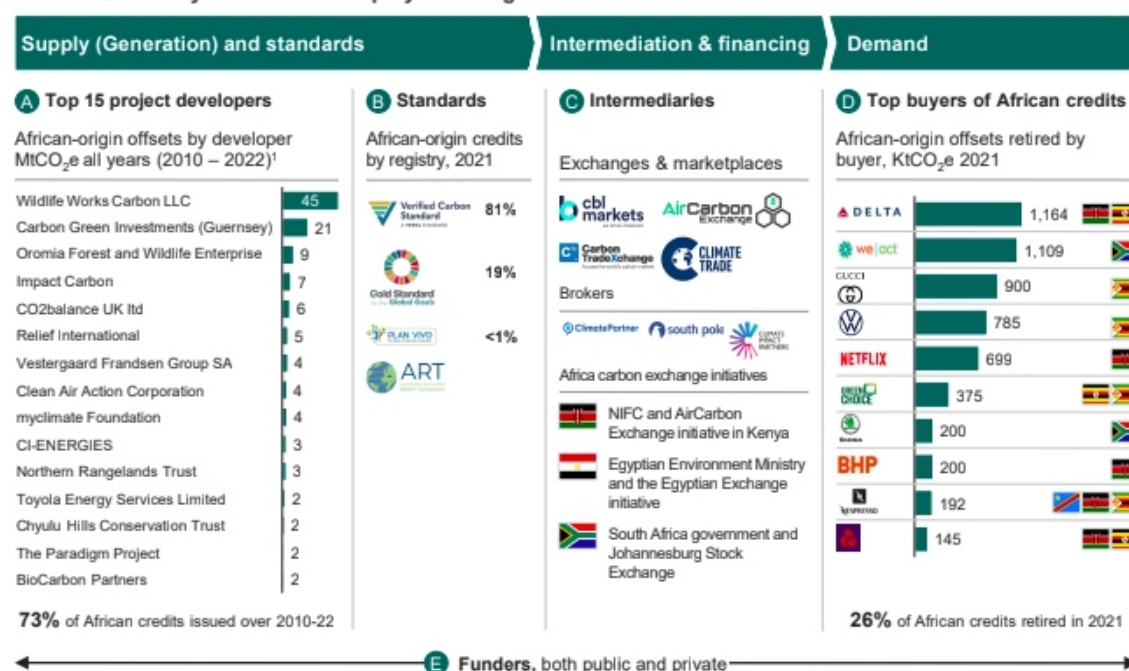
- Volume Growth:** Voluntary carbon markets are predicted to rise 15x by 2030.
- Shift of Project Type:** New project types are emerging in voluntary carbon markets, and buyer priorities are altering to prioritize certain project types over others.

3.  **Price Growth:** The cost of carbon credits varies greatly depending on the type of project; at the moment, natural projects are more expensive than other conventional project types. Furthermore, if buyers prioritize high integrity removal credits, some specific credit kinds should see considerable price rises.
4.  **Increased Government Activity:** Nations are looking for ways to participate in voluntary carbon markets, an area where countries have played little to no role in the past. These efforts can take the form of bilateral country-to-country credit sales or the issuance of jurisdictional credits.

State of Voluntary Carbon Market in Africa

- Of the credits provided during the last seven years, just five African countries (Kenya, Zimbabwe, DRC, Ethiopia and Uganda) account for almost 65 percent of the total.¹ Voluntary carbon markets in Africa are fragmented, with a large number of global actors along the value chain.
- Project developers are few, often small-scale, and have limited variety. Over the previous decade, over 100 project developers have been active on the continent. Nearly all African credits are certified by global bodies (around 80% from Verra, 20% from Gold Standard, and 1% from other players), and there are very few local validation/verification bodies (VVBs).²

Exhibit: Summary of main market players along the carbon credit value chain in Africa



1. First issuance year of African based projects was 2010

Source: Data extracted from VCS, GS, CAR, ACR and Plan Vivo registries; Analysis of news articles and company websites.

from Gold Standard, and 1% from other players), and there are very few local validation/verification bodies (VVBs).²

¹ “Africa Carbon Market Initiative Roadmap Report” accessed April 30, 2024

CHAPTER THREE:

OBSTACLES TO GROWTH OF THE AFRICAN CARBON MARKET

Africa still has several obstacles to overcome before it can reach its full potential in the carbon market, according to the ACMI roadmap. These difficulties can be divided into two categories: supply and demand, and they occur at every stage of the value chain.

Supply	Demand
The Carbon Market Project Developers in Africa are small and without diversification.	There are general concerns about the integrity of carbon credits
High Capital is involved in starting a carbon credit project.	Global buyers are not quite clear about avoidance credits and their significance, especially when it comes to projects in Africa.
New projects might struggle to develop a strong business case.	African credits' prices may not accurately reflect their value, leading to a lack of transparency for buyers due to ineffective pricing of co-benefits.
Regulatory Challenges for African project developers.	Africa depends almost solely on international demand. Except for South Africa, the continent lacks local demand markets.
Many of the standard-setting organizations' methods for designing carbon credit initiatives do not fit in African contexts.	There is a strong reliance on intermediaries who maintain relationships and take a substantial percentage of the value for African credits
Validation and verification of carbon credit projects can have a high cost and require long lead times.	Intermediaries may levy fees of up to 70% of credit value.

² McKinsey Vivid Economics Carbon Credit Database, drawing on Verra, Gold Standard, ACR, CAR, Plan Vivo, 2022

CHAPTER FOUR:

ACMI's Ambition- Build Foundation for Growth 2030

The technical potential of carbon credits sourced from Africa is significant and could reach up to about 2,400 MtCO₂e in 2030. If all of the credits were sold, their potential value could reach \$50 billion or higher.³ Even a small portion of this enormous potential may bring billions of dollars in climate finance to Africa, boosting livelihoods and jobs while enhancing energy access, biodiversity, and health.

Africa can build carbon projects using new approaches and different products. New approaches are applicable to initiatives without a clear verification and validation process, such as diesel decommissioning and savannah grasslands fire management. This includes globally project types that are not yet available in Africa, such as engineered carbon dioxide removal, blue carbon, and more livestock potential. Africa has the capacity to generate around 400 MtCO₂e per year by 2030 using emerging technologies.

The ambition of the Africa Carbon Market Initiatives (ACMI) is based on (4) core objectives.



1. **Grow African credit retirements to ~300 MtCO₂e by 2030:** This may sound like a tall order, but the ACMI believe that it is realistic since it is in line with Africa capturing its fair share of the global potential by 2030 and with Africa's current growth trajectory.



2. **Create or support ~30 million jobs by 2030:** ACMI intends to incorporate new direct jobs, jobs with income increases, new indirect jobs, and a percentage of temporary positions. These jobs should cover all aspects of the value chain including carbon projects development, execution, certification, and monitoring.



3. **Raise the quality and integrity of African Credits:** Carbon credits can generate up to ~\$6 billion in capital by 2030, increasing from around \$5 per tonne in 2021 to over \$20 per tonne.

³ McKinsey Vivid Economics Carbon Credit Database, drawing on Verra, Gold Standard, ACR, CAR, Plan Vivo., UNFCCC, World Bank, IEA, S&P Global Platts, Enerdata, McKinsey Nature Analytics, CAP-A, Griscom et al. Nature Climate Solutions, January 2020, FAO, Biodiversity Research Institute, Biodiversity Research Institute, IPBES, CGIAR, Global Alliance for Climate Smart Agriculture



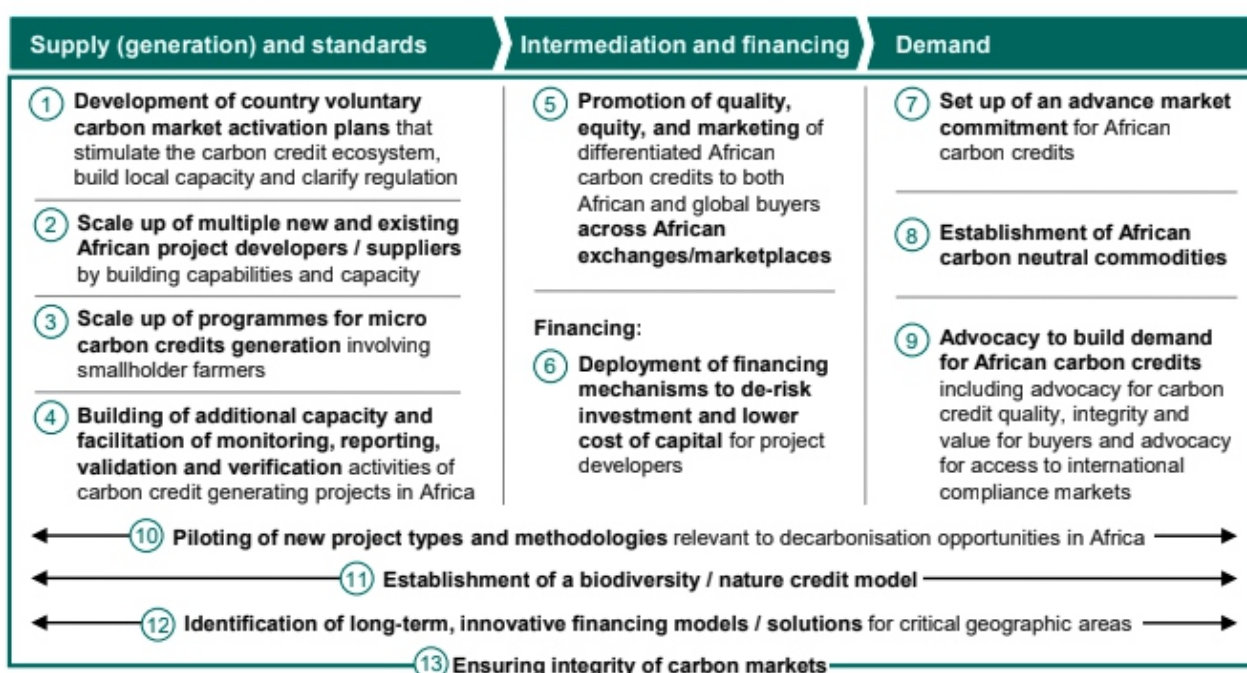
4. Ensure equitable and transparent distribution of carbon credit revenue:

ACMI seeks to collaborate with major organizations to set transparency and benefit-sharing guidelines for both buyers and sellers, ensuring that the market scales with the appropriate speed and effectiveness.

To achieve these objectives, ACMI has laid out a roadmap of **(13)** action programmes across the VCM value chain as displayed in the diagram below:

1. Development of Country Carbon Market Activation Plans
2. Scale up of Multiple new and existing African project developers/ suppliers
3. Scale up of programmes for micro carbon credit generation
4. Building additional capacity and facilitation of monitoring, reporting, validation and verification
5. Promotion of quality equity and marketing across African exchanges/marketplaces
6. Deployment of financing mechanisms to de-risk investment and lower cost of capital
7. Set up of an advance market commitments
8. Establishment of African carbon neutral commodities
9. Advocacy to build demand for African Carbon credits
10. Piloting of new projects types and methodologies relevant to decarbonisation opportunities in Africa
11. Establishment of a biodiversity/ nature credit model
12. Identification of long-term, innovative financing models/solutions for critical geographical areas
13. Ensuring integrity of carbon market

Exhibit: 13 action programs could be deployed to address challenges across the VCM value chain in Africa



(Image from ACMI Roadmap 2022)

Proposed Next Steps for ACMI post COP27 and Latest Updates

The proposed steps for the ACMI post COP27:

- Redefine roadmap through public consultation and additional deep dive analysis
- Support Interested Governments in the development of VCM activation plans.
- Build African Carbon Credit project supply by actively reaching out and conducting sensitization activities to mobilize developers, supporting the development of flagship projects, collaborating with VVBs and other stakeholders, and advocating for governmental support on project development.
- Mobilize financial and demand by encouraging financial institutions to develop and scale adequate instruments to fund and de-risk carbon credit projects developments in Africa.
- Collaborate with other key stakeholders to facilitate and support VCM development.
- Mobilize other action leaders and organizations to lead in the participation of the proposed actions.

The ACMI so far...

1. Four thematic areas

ACMI refreshed its strategy on January 24, 2024, during a Steering Committee meeting in Nairobi, in response to significant market feedback. ACMI's plan for the coming years will address the hurdles of scaling high-integrity African carbon markets and maximizing benefits for the continent. Their developed action programmes have been condensed into four thematic groupings, with a strong emphasis on how ACMI can best contribute to increased integrity and benefits for Africa. These action programmes aim to increase the continent's involvement in the carbon market by:

1. Fostering collaboration for increased integrity, equity, and transparency while championing African interests by advancing a positive narrative on carbon markets. This includes partnering with integrity setters and leveraging their expertise and frameworks to enhance the effectiveness and credibility of our efforts.
2. Providing support to governments, project developers, and local communities through a combination of direct support and tools for effective regulation and high-integrity supply
3. Acting as a central point of reference on the state of African carbon markets and assembling market participants to build joint momentum around the path forward.
4. Advocating for a broad range of carbon credit demands, such as compliance, voluntary carbon markets, and international trading mechanisms under Article 6, focusing on encouraging advanced market signals (AMS), with a goal of converting these signals into real commitments

Four Thematic Groups	
<p>GROUP A: Country Market Activation Plans Enabling Environment</p> <p>Develop carbon market activation plans (CMAPs) to provide a roadmap for African countries to leverage their carbon market potential, stimulating job creation, create revenue stream and support a just and equitable energy transition.</p>	<p>GROUP B: Project Development Enablement</p> <p>Design and Develop a curated curriculum on carbon markets and technical knowledge across geographies and project development types to foster carbon project development on the continent and scale up African project developers and smallholder program</p>
<p>GROUP C: Project Development: Investment & Carbon Financing</p> <p>Provide support to African exchanges and marketplace, deploy financing mechanisms to de-risk investment, set up advance market signals, establish carbon neutral commodities, and identification of long-term innovative financing model.</p>	<p>GROUP D: Mentoring, Reporting and Verification (MRV), Integrity and Advocacy</p> <p>ACMI aims to build demand for African credits by ensuring that buyers and high integrity standards organizations understand and account for the unique value of African credits and by advocating for African credits to be more widely integrated into international compliance markets.</p>

2. Introduction to the Carbon Hub

The ACMI has a Carbon Hub which is the first point of reference for early stage developers and policy makers to access information on the carbon market. It serves as a central node in the African carbon ecosystem for knowledge sharing and accessing expert information. The Hub currently has two modules: ‘Introduction to Carbon Market’ and ‘Carbon Finance’ that have been produced in collaboration with FSD Africa.

3. Engaged Countries in their Activation Plans

ACMI has engaged seven countries to develop comprehensive carbon market regulations through activation plans, creating a pathway for stable and effective environments for carbon markets to grow.

4. Showcase Edition One

ACMI has successfully compiled the first-ever listing of African carbon credit projects, showcasing over 100 projects that aimed to collectively offset over 90 Mt CO₂e annually – providing transparency on Africa’s supply and benefits across projects.

5. Secure US\$1 Billion ACMI has stimulated demand by securing **US\$1 billion** in intentions to buy and aggregate high-integrity African carbon credits by 2030, including a further US\$250 million in signaled intentions to invest in these projects, with the aim of providing a signal to project developers and investors that there is substantial offtake opportunity. This effort, acting as an advocacy tool, is intended to create higher confidence in the market and improve access to capital for project developers.

More Updates on Africa Carbon Market Initiatives can be found HERE:
https://africacarbonmarkets.org/wp-content/uploads/2024/05/ACMI-Status-and-Outlook-Report-2024_vF.pdf