



# Perspectives in financing Energy Efficiency Programmes in Power Distribution in RMCs

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## Financing EE using Paris Agreement Art 6 mechanisms

- Art 6.2 allows for bilateral voluntary cooperative approaches between parties... i.e. allows for the creation and transfer of Internationally Transferrable Mitigation Outcomes (ITMOs)
- Art 6.4: A mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development supervised by a body designated by the CoP.. i.e. a bit like CDM, centrally controlled. Will generate Mitigation Outcomes (Mos)
- Art 6.8: non-market approaches for mitigation, adaptation, finance, technology transfer and capacity-building, as appropriate – does not involve the transfer of any “outcomes” – can be sued for reporting of voluntary actions
- Also, voluntary markets including CORSIA, TSVCM are developing





## Art 6.2 - ITMOs

- Art 6 negotiations are still on-going
- Art 6.2 / ITMOs are the most advanced mechanism with Ghana and Senegal recently having signed bilateral agreements with Switzerland
- Preparing for Art 6.2 transaction requires significant infrastructure in the host country:
  - Ability to approve / agree a methodology to calculate ITMOs
  - Means of verification / certification (independent services)
  - Installation of a registry to keep track of emissions and emission reductions (MO) and then demonstrate the avoidance of double counting through corresponding adjustments
  - Means of addressing other issues – safeguards, gender, just transition, SDGs
  - Transparent and equitable means of agreeing who can sell ITMOs
  - Pricing structure and crediting period





## AfDBs ITMO Pilot project

- GEF funded study underway
- Lead by Triple E from Nigeria with Climate Focus, AERA and GEM
- Scoping report to identify barriers and capacity building needs to engage in ITMO transactions in West Africa
- Selected four countries to develop Project Concept Notes
- Selected two PCNs to develop financing plan
  - Benin: Household Energy Efficiency and Management Support Project
  - Ghana: Promotion of Energy Efficient and Renewable Energy Powered Public Water Facilities
  - Cote d'Ivoire: Implementation of Energy Efficiency Measures and Utilisation of Clean Fuels in Cote d'Ivoire's Cotton & Textile Production Value Chain
  - Nigeria: Replacement of old and high PCB Distribution Transformers with Energy Efficient and PCB free Transformers
- Next Phase – FAPA (Fund for Assisting Private Sector in Africa) – work from the two selected projects to develop methodologies and full PDD; help develop host country infrastructure (registry etc) and try to develop and finance the two projects







## Financing EE project using ITMOs

### Sources of funds

- ❑ Debt e.g. from AfDB (commercial) and *GCF (concessional) or CIF?*
- ❑ Energy efficiency saving accruing beneficiary e.g. to utility company
- ❑ Sale of recycled scrap metals
- ❑ Grants from GEF / others for safe treatment of contaminated equipment
- ❑ **Additional finance from the sale of ITMOs**

- ❑ ITMOs sold at a price that fills the financial gap
- ❑ Buyers pay because they value the environmental co-benefits

### Uses of funds

- ❑ Purchase and installation of new efficient equipment
- ❑ E.g. transformers and associated switching equipment
- ❑ Decommissioning of old transformers
- ❑ Safe disposal of Waste oils including PCB contaminated materials
- ❑ Safe recycling of metals





## Next steps

- To develop Art 6 capacity, it is necessary to engage with:
  - UNFCCC Focal point / Art 6 negotiators (Min of Env? Min of Finance and Planning?)
  - West Africa Alliance on Carbon Markets and Climate Finance
  - <https://www.climatefocus.com/initiatives/west-african-alliance-carbon-markets-and-climate-finance>
  - Explore potential buyers of ITMOs – Switzerland (Klik Foundation), Scandinavian countries, New Zealand
  - Look out for Africa Climate Week in September 2021
  - Follow developments at CoP 26





Thanks for your attention

For more information contact:  
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