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# **Promoting Investments in the Agricultural, Rural and Land Use Sectors**

## **- A Global Climate Change Investment Facility with Regional Platforms -**

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**on behalf of**

**Climate Change and Environmental Services Programme**

**The Global Mechanism of the UNCCD**

**COMESA Carbon Finance Workshop**

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## The Agricultural, Rural and Land Use Sectors in the Context of Climate Change Mitigation and Adaptation

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- ❑ Impacts of Climate Change increasingly affect livelihoods in the agricultural, rural and land use sectors
  - 262 million people affected by climate disasters annually from 2000 to 2004 (98% in developing world)
- ❑ Unfulfilled huge rural energy needs
  - 1,6 billion people without electricity
  - 2,5 billion people with no access to efficient energy supplies

❑ Significant importance: agriculture and forestry among the so-called 'dirty seven'

- Energy sector: 25%\*
- Industry: 20%
- Transport: 13%
- Forestry: 17%
- Agriculture: 14%
- Households: 8%
- Waste and sewage: 3%

\* of 2004 emissions (IPCC FAR, 2007)

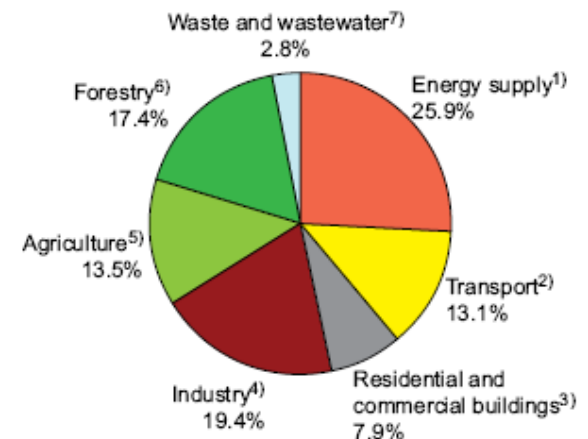


Figure 1.3b: GHG emissions by sector in 2004.

Source: Adapted from Olivier et al., 2005; 2006.



## The Agricultural, Rural and Land Use Sectors in the Context of Climate Change Mitigation and Adaptation – The Situation in East and Southern Africa

- ❑ CDM projects remain thin on the ground
  - Currently no CDM projects in the Horn of Africa and no (real) projects in the pipeline
  - South Africa and Morocco demonstrate highest participation in CDM.
- ❑ Climate change impacts in the SADC region
  - Water resources
  - Desertification
  - Biodiversity and natural resources
  - Agriculture and food security
  - Economic development
  - Livelihoods
  - Human health
- ❑ Only few examples of adaptation projects in the Horn



## The Agricultural, Rural and Land Use Sectors in the Context of Climate Change Mitigation and Adaptation – The Situation in East and Southern Africa

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- ❑ General barriers and those specific to the Horn/region include
  - Governmental barriers
  - Financial/investment barriers
  - Capacity barriers
  - Communication barriers
  - Information barriers
  - Kyoto framework barrier
  - Post 2012
  - Lack of energy intensive infrastructure
  - Adaptation already limited physically and ecologically
  - Required technology not (always) be available to deal with the adaptation



## Rational for investment promotion - globally and in particular in Africa

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- Stepping up efforts is urgently needed
- Better include so far underrepresented sectors
- Promotion and development of activities in the agricultural, rural and land use sectors whilst promoting rural development
- Public player mandates
- Private sector has to contribute to mitigation of climate change
- Need to adjust to a changing (business) environment through adaptation to climate change
- Carbon finance, emissions reduction and adaptation funding are of mutual interest to the public and private sector

## Mitigation and Adaptation Potential

Area	Type of Project
Forestry	Afforestation / reforestation
	Avoided deforestation
	Sustainable forest management
	Agro-forestry and silvo-pastoral systems
Agricultural sectors	Cropland and grazing land management
	Soil conservation measures
	Fertilizer switch or management in order to reduce N2O emissions
	Bio-digestion and other methane-based projects in the agricultural sector
	Livestock management
Energy-related projects in the rural and agricultural sectors	Bio-fuel / energy projects, and fuel switch projects (e.g. oil/gas) contributing to the UNCCD mandate
	Small hydro projects (potentially combined with forestry activities as watershed protection)
	Energy efficiency

## Mitigation and Adaptation Potential – East and Southern Africa

### Mitigation Potential and Sectors

- ❑ Most of the potential GHG mitigation projects that the countries in the region identified are in:
  - renewable energy
  - forestry
  - use of biomass
  - agriculture
  - energy efficiency



### Adaptation Needs

- ❑ Similarly, the region highlighted needs to adapt specifically:
  - coastal zones
  - water resources
  - agriculture
  - livestock
  - forestry
  - wildlife



### Carbon Finance, Emissions Reduction and Adaptation Opportunities while addressing land degradation

- ❑ Overlaps between mitigation potential and adaptations needs – developing projects allow for mitigation and adaptation while simultaneously addressing land degradation, rural development and (in some cases) biodiversity protection.





## Mitigation and Adaptation Potential

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- Implementation of measures to:
  - Safeguard water resources
  - Implement disaster management
  - Diversify economic activity
  - Protect health
- Specific measures include:
  - Protecting and enhancing agriculture and forestry
  - Protecting natural resources and ecosystems
  - Protecting coastal zones
- Synergies: Combined mitigation & adaptation as well as stand-alone adaptation projects and measures

## Mitigation and Adaptation Potential – Sustainable Land Management (Globally)

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- ❑ Land area under agricultural or forest use decreased by 6.9 million ha between 1990 – 2000 (FAO 2004)
  - ❑ 50% lost completely for productive activity (e.g. Degradation)
  - ❑ 50% converted to settlements, pastures\*
- ❑ SLM results in savings of 1-3 tCO<sub>2</sub>/ha/yr



### Carbon revenue potential through SLM

Carbon revenue potential for SLM (in million US\$ over 10 years)

Emission reductions	US \$1	US \$3	US \$5	US \$15
<b>1 tCO<sub>2</sub>e/ha</b>	35	104	173	518
<b>3 tCO<sub>2</sub>e/ha</b>	104	311	518	1,552
<b>5 tCO<sub>2</sub>e/ha</b>	173	518	863	2,588



## Public and Private Sector Stakeholders and Their Interests

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- The private sector
  - targets under emissions trading schemes, or
  - contributing through voluntary offsetting measures, or
  - investments into adaptation.
- Significant, and not fully captured potential for emissions reduction and carbon credit opportunities in the agricultural, rural and land use sectors.
- Mutually attractive to public and private organizations
  - demonstrating the fulfillment of their mandates to support development, or
  - implementation of environmentally friendly and corporate social behavior.
- Opportunities to address two other major environmental change processes, i.e. land degradation and loss of biodiversity.



## Promotion at the Necessary Scale

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- Pulling resources together from all available or different sources and stakeholders from public and private sector
- Combination of different, and often complementary, resources, expertise, skills and capacities needs
- Existing, fully developed and underdeveloped, climate change mitigation opportunities through carbon substitution, GHG reduction or avoidance, carbon sequestration and conservation.



## Promotion at the Necessary Scale – East and Southern Africa

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- ❑ Implementing existing opportunities in the Horn, a number of objectives to be met:
  - immediate access to climate change funding should be improved, freeing up previously unavailable financial resources
  - climate change funding should also be used for projects for the implementation of the UNCCD (and where possible the CBD) by addressing land-degradation (or biodiversity) issues as an integral part of projects - facilitation with co-benefits across an array of issues
  - attract additional funding for climate change projects in order to deepen a long-term sustainable carbon market and adaptation to climate change
- ❑ Facilitation measures are proposed which should include:
  - technical assistance for project development and use of climate change funding
  - seed capital to kick-start project development processes
  - additional research to investigate in-detail the requirements to identify, assess, develop, implement and operate projects
  - a number of prototype projects



## Who Can or Needs to Do What?

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- ❑ **Governments** - promote climate change mitigation and adaptation, energy production, technology transfer and investments
  - ❑ Set the framework conditions and kick-start processes
  - ❑ Annex I/industrialized countries vs. Non-Annex I/developing countries
- ❑ **International organizations** - translate and embed activities into the appropriate institutional, environmental and social development processes (Rome-based UN agencies)
- ❑ **Businesses and industries** - contribute investment capital and technologies
  - ❑ Int. Companies vs. local companies
- ❑ **NGOs** - establishing and creating framework conditions, positive project development environments, directly support or get engaged in project implementation, play a watchdog role and pay attention to quality assurance



## Who Can or Needs to Do What?

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- Responsible businesses and industries** - reduce carbon footprint or emissions and invest in technologies to protect the performance of certain aspects of their business.
  - Industrialised countries (primarily)
- Specialized firms** - make these shifts in business behavior happen while making sure that related project activities really contribute to tackling climate change and deliver associated development benefits.
- Finance institutions** - invest in mitigation and look into investments in adaptation measures, developing and providing relevant financial services and products.
- Further technical experts and researchers, the local communities** play an important role to make projects happen.



## **A Global Climate Change Investment Facility – 'Investing in Emission Reductions and Rural Development'**

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### **Partnership Building**

#### **Rome Initiative 2007 for *Investing in Emission Reductions and Rural Development***

- ❑ Launch of a continuous public-private sector dialogue
  
- ❑ Creation of a public-private sector Working Group
  
- ❑ Participants:
  - Rome-based UN Agencies (FAO, Global Mechanism, IFAD and WFP)
  - Private Sector from financial services, banking, insurance, manufacturing, climate change specialists and carbon market leaders (EcoSecurities), and others ...



## A Global Climate Change Investment Facility – 'Investing in Emission Reductions and Rural Development'

### Objective and Activities

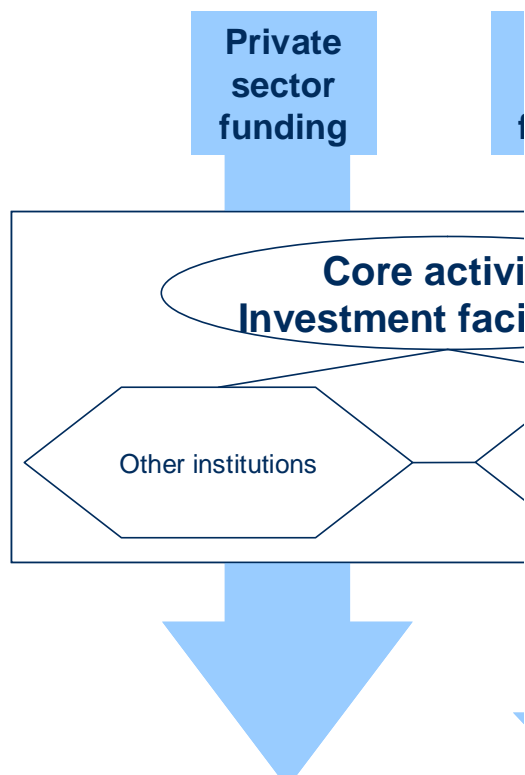
- ❑ Promotion of mitigation and adaptation activities in the agricultural, rural and land use sectors through financial and technical assistance through
  - **Screening of existing opportunities and potential** for climate related projects at country level
  - **Facilitation of match-making process** between field's potential/needs and investors' potential/demand
  - **Financial risk analysis/due diligence and structuring**
  - Support developing countries through **financial and technical assistance**
  - Direct supervision of **project development** process (upon request)

### Added value

- ❑ Tackling and targeting the **agricultural, rural and land use** sectors
- ❑ Promotion and support not only of **mitigation** opportunities but also **adaptation** activities
- ❑ Engagement of the **private sector** as part of the solution
- ❑ Supporting also **smallholders, rural farmers and communities** and **small-scale projects**



## A Global Climate Change Investment Facility – ‘Investing in Emission Reductions and Rural Development’



### **Facility's Stakeholders**

- Rome-based UN agencies
  - FAO, Global Mechanism, IFAD, WFP
- Private Sector
- NGOs
- Rural Communities

### **Next Steps**

- Further elaboration of operationalisation
- FAO and GM take the lead promoting the initiative and developing executive project
- EcoSecurities provided/provides expertise and confirmed interest and participation in this initiative



## A Regional Facilitation Platform for East and Southern Africa – Draft Outline of Key Elements

### **Objectives**

- ❑ Immediate access to climate change funding to be improved
- ❑ Climate change funding should be used with a view to address a wider array of issues, incl. land degradation and rural development
- ❑ Attract additional finance for climate change projects
- Some barriers, e.g. political stability and policy support, are outside the scope of such an initiative (although influencing or informing the policy processes could certainly be part of it).



### **Activities**

- ❑ Specific activities proposed include:
  - assistance with project development and financial structuring – supporting the development of concrete projects and piloting innovative financing models,
  - marketing - development of marketing materials,
  - identification and targeting of potential investors,
  - targeting of technology providers,
  - conducting national and international road-shows.
  - capacity building information-sharing platform, government and institution capacity building, supporting project development capacity and coordination with other activities in the region.



## A Regional Facilitation Platform for East and Southern Africa – Draft Outline of Key Elements

### Next steps

- ❑ **Feasibility study/executive project (business plan)**
- ❑ **Setting up an investment promotion entity/facilitation platform**
  - Identification of regional partner(s) – what does COMESA want? Can we find common ground?
  - management structure and procedures
- ❑ **Selection of champions in the region to lead with pilots**
- ❑ **Establishment of investment criteria**
- ❑ **Development of routines, procedures and formats/documents and first activities for pilots**
  - investment project cycle documents/operations manual,
  - marketing strategy and materials,
  - project identification and screening,
  - project appraisal,
  - carbon credit and adaptation project preparation and contracting,
  - ongoing project supervision and assistance for carbon credit and adaptation projects,
  - establishment of a clearinghouse.



# Thank you!

## For further information

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