

DRAFT CONCEPT NOTE

for cooperation of CF Assist-The World Bank and UNEP-DTIE on Carbon Finance Investment Workshop for Financial Institutions in Francophone Africa

The World Bank's Carbon Finance (CF) Assist and the United Nations Environment Programme's Division of Technology, Industry and Economics (UNEP-DTIE), are planning to convene a Carbon Finance Investment Workshop for Financial Institutions in Francophone Africa. As a first-of-its kind, the event will be designed for local bankers and financial institutions to understand the nuances and opportunities of the global carbon market during a 3-day training workshop.

Background: African Carbon Market Stalled by Lack of Finance

Despite the rapid growth of global carbon finance transactions – in 2006, the global carbon market doubled to an estimated value of USD 22 billion, and the volume of traded greenhouse gas (GHG) emissions is expected to increase by another 50% in 2007 – the economic benefits of this market growth has as of yet been unfelt in sub-Saharan Africa.

Nevertheless, Africa's urgent need to massively increase the scale and scope of its energy production and infrastructure services is creating sizeable opportunities for project based carbon credits under the Clean Development Mechanism (CDM) and other vehicles.

Many such projects, however, find themselves stalled by the lack of financing possibilities. As to Francophone Africa, a combination of low awareness and specific concerns of the financial sector (e.g., prohibitive transaction costs and project risk), has so far averted a significant scale up of carbon finance transactions.

Given both the particularities of financial institutions and their importance in delivering underlying credit and supporting financial services for carbon finance transactions, the above barriers have to be addressed through specifically tailored capacity building efforts.

Workshop Objectives

The key objectives of the workshop will be to promote the mainstreaming of carbon finance into corporate and investment banking operations of the region's leading financial institutions and to set an agenda on carbon finance among bank CEOs, credit committee members and senior lending officers.

Within this context, the proposed workshop will help the Francophone African finance community identify the new business opportunities the carbon market has to offer, and become familiar with the key methodologies and policy frameworks it is based on. Specifically, the event will support financial institutions to: (i) capitalize on the growing demand for new types of carbon-related financial services and mutually beneficial partnerships; (ii) single out the risks and opportunities from catering to this demand; and (iii) assess their own strengths and weaknesses that will determine their respective competitive advantages.

Workshop Outline

Section 1 - Introduction to Carbon Finance

The first section of the workshop will cover the nuts-and-bolts of the CDM project cycle, conditions for project eligibility and additionality and project assessment methods. Topics will target the specific needs of banking credit officers and financial professionals. Workshop attendees will receive comprehensive instruction about both the compliance and voluntary markets from industry experts in the following specific areas:

- Status of the global carbon market
- CDM institutions and project cycle
- The asset creation process for carbon credits
- Carbon project documentation (incl. main concepts and calculations, common pitfalls)
- Due diligence of carbon finance deals and common safeguards/risk management strategies
- Approaches to carbon investment analysis (e.g., benchmarks and sensitivity analysis for carbon finance impact on project economics)
- Approaches to integrating carbon finance into mainstream investment and lending decision-making

Section 2 - Showcase African Carbon Finance Projects

Institutional and financial sector support is critical to a region's effective management of a CDM pipeline of projects and will be a chief focus during the Workshop. This will be achieved by strengthening links between the Francophone financial community and local project developers. Through a series of presentations by project developers, the second section of the workshop will give participants the opportunity to learn from concrete project examples and gain valuable market insights. During this section, project developers will pitch their emission reduction projects and enter into a dialogue with participants from local/regional financial institutions. Presentations will showcase projects from key industries and economic sectors such as Mining, Oil & Gas as well as Timber and Biofuels with the goal of getting carbon projects off the ground and increasing the engagement of the African financial community in the carbon market. Main take-aways of this section will be:

- Ongoing trends and developments in the African carbon markets
- Best practices and lessons learned from successful carbon deals
- Project success stories, sharing experiences about what works and what does not
- A deal-making platform for local project developers to showcase their projects
- Ample networking opportunities for both financial institutions and project developers

Project Clinic for Project Developers

Prior to the second section (and in parallel with Section 1), there will be a one-day project clinic for project developers to provide guidance on how to present carbon projects and secure funding from carbon financiers and investors. The clinic will provide developers of carbon projects in advanced development stages (e.g., for CDM: at least finalized PIN or advanced PDD-stage) with the following tools and skills:

- Effective ways to present project ideas to financial institutions and carbon buyers
- Structuring carbon deals, integrating carbon revenue into overall project financing
- Best approaches and common pitfalls

(High-level) Section 3 - Setting an Agenda for Francophone Africa

Through a series of high-level roundtable discussions, the third and last section of the event will focus on the longer-term strategic insights and visions into where the global and African carbon markets are heading. Chief executives and credit committee members of leading banks and representatives from multilateral institutions, including the African Development Bank, the World Bank, UNEP, and the United Nations Climate Change Secretariat will have the opportunity to set a Francophone African agenda on carbon finance.

The Implementing agencies:

World Bank CF-Assist and UNEP DTIE have accumulated ample capacity building expertise through a wide array of successful carbon finance initiatives. Most recently, UNEP with the Development Bank of South Africa (DBSA) and UNEP Risoe Center, held the African Banker's CDM Investment Forum for Anglophone African countries; and CF-Assist ran a carbon finance capacity building event specifically geared towards financing and the energy sector for Banque Ouest Africaine de Développement (BOAD) management staff.

Proposed target audience

Chief Executives and credits Officers of major Francophone African Financial Institutions (i.e., commercial banks, national banks/investment corporations and non-banking FIs and investors), such as: BCB-Burkina, AFRIBAIL/BIAO Ivory Coast, COBACI Ivory Coast, SGBCI Ivory Coast, CNPI Ivory Coast, CESAG-Senegal, Union Trust Bank-Senegal, SLCB- Senegal, Banque de Solidarité Sénégal, Société Commerciale de Banque - Crédit Lyonnais Cameroun, Standard Chartered Bank-SCBC Cameroun, Afriland First Bank Cameroon, Banque Nationale Investissement-Cameroon, Banque Nationale Investissement- Ivory Coast, FEICOM Cameroon, E+Co, GroFin, Cameroon RE Fund, First Africa Clean Tech Fund

Proposed target countries

Burkina Faso, Cameroon, Gabon, Ivory Coast, Mali, Morocco, Senegal, Tunisia

Timing and location

2-3 days, mid-November 2007 or early February 2008

Contacts

World Bank - Carbon Finance Assist Program (CF Assist)

Venkata Ramana Putti, pramana@worldbank.org, Tel.: +1-202-458-9035

United Nations Environment Programme - Division of Technology, Industry and Economics (UNEP-DTIE)

Jan Kappen, Programme Manager, jkappen@unep.fr, Tel.: +33-1-4437-7615