Climate & Development Knowledge Network

PRÉCIS

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Regional implications of the AGF recommendations: Africa

The United Nations Secretary's High-Level Advisory Group on Climate Finance (AGF) recently reported on ways to raise US$100 billion per year for climate change investment in developing countries by 2020. This summary details the key implications of this report for Africa.

- There is a substantial shortfall in climate investment in Africa. While raising US$100 billion is unlikely to be sufficient, the AGF report identifies credible options for reducing this gap.
- The report identifies ways to increase public and private revenue. Both sources will be important, but Africa's immediate priority is concessional funding from public sources. This can be used for 'win-win' investments that reduce vulnerability to climate change and also contribute to broader economic development, for example investments in public health, literacy and institutional development. Private investment is also important, especially to ensure that Africa's rapidly growing energy needs are met using low-carbon technologies.
- Many of the revenue sources emphasised in the AGF report will raise revenue and create incentives to reduce emissions, for example auctioning emission allowances and levies on international transport. This is desirable, but it means that the revenues raised may vary with fluctuating carbon prices. Robust, credible emission-reduction targets for the developed world are crucial to reducing this uncertainty. The AGF notes that to raise US$100 billion, emissions cuts will need to be deep enough to result in a stable carbon price of US$20–25 per tonne.
- International transport levies or their equivalent will increase the cost of trade for African countries, and the AGF recognises the need to compensate this. Designing and quantifying this compensation will require further discussion and African countries can participate fruitfully. There is scope to compensate African countries for these impacts while retaining substantial climate-finance resources.
- A significant proportion of low-carbon investment in Africa can be delivered through carbon markets. However, these markets do not currently work for the continent. There are several reforms to these markets that can remedy this, including incorporating emissions from land-use change into carbon markets. This will need to be complemented by further reforms to improve Africa's investment climate, which will encourage private-sector investment.

This précis is a summary of the report *Regional implications of the AGF recommendations: Africa*, produced by Vivid Economics and funded by the Climate and Development Knowledge Network (CDKN). Members of the AGF requested this analysis to help developing country decision-makers respond to their recommendations.

Full copies of the Vivid Economics - CDKN report are available from **www.cdkn.org**

Summary written by:
Sam Fankhauser, director, Vivid Economics, and John Ward, principal, Vivid Economics.
Research assistance by Michael Griebe.

vivideconomics

www.cdkn.org **e: enquiries@cdkn.org** **t: +44 (0) 207 212 4111**