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African Priorities in the New Climate Governance

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Global Economic Governance Programme Workshop Memo

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Background

As countries race to negotiate a new climate treaty by December 2015, the nature of the climate regime is evolving in profound ways. First, the object of the negotiations has shifted. Instead of seeking a treaty in which countries negotiate a distribution of national emissions reduction targets, the United Nations Framework Convention on Climate Change (UNFCCC) talks are moving toward a "pledge and review" system in which nationally determined goals, subject to some level of international discussion and monitoring, are recorded at the multilateral level and, it is hoped, ratcheted up over time.

Second, there has been a groundswell of climate actions and initiatives from smaller groups of countries, sub- and non-state actors like cities and private companies, and multi-stakeholder partnerships and coalitions. This heterogeneous set of actions is increasingly seen by governments as important in its own right, and as a catalyst for further action at the national and international levels. It is increasingly recognized at the multilateral level, both in the UNFCCC process and at high-level events like the September 2014 UN Secretary-General climate summit, and attracts a growing share of climate-related funding.

Third, new financial tools and institutions like the Green Climate Fund are appearing to attempt to meet the costs of shifting to a low carbon economy and of adapting to the climatic shifts we cannot prevent. But as scientific reports grow increasingly dire about the impacts of climate change, it remains unclear how new funding streams will be able to mobilize sufficient resources to address the problem.

What challenges and opportunities do African governments face in this increasingly complex system? How can the new climate system best meet African priorities?

The Blavatnik School of Government, in partnership with the Africa Progress Panel, held a workshop on 9th January 2015 to answer these questions by bringing together 20 leading experts and policymakers in the emerging climate regime with African policymakers and experts. This memo summarises the highlights of the discussion and key recommendations for the climate regime to better address African needs.

Discussion Questions

- What are Africa's priorities in the evolving climate regime?
- What can African negotiators achieve at the 2015 Paris summit and beyond?
- How can African countries—but also cities, regions, companies, civil society groups, and other actors—achieve their goals through the groundswell of climate action at all levels?
- How can African governments and businesses best engage climate finance?

The Evolving Climate Regime – Where does Africa stand?

How can African negotiators ensure that a more nationally driven negotiation process delivers the mitigation and adaptation commitments needed to meaningfully address climate change? Though the African Group in the UNFCCC (and the LDC group, to which many African countries belong) have been growing in importance and effectiveness, it is unclear how they will best influence policy under a "pledge and review" system. How can such a system best be designed to give meaningful voice to African countries over decision, nationally determined or otherwise, that profoundly affect them?

Reflections on COP20

The session began with participants' observations on the recent UNFCCC climate negotiations held in Lima in December 2014. Some positive achievements at Lima include:

- Elevation of adaptation to the same importance as mitigation
- Pledges made towards the Green Climate Finance(pledges totalled $10.2 billion at the end of December) and heightened discussions around accessibility and transparency of climate finance
- Increased awareness of the importance of biotechnology and technology transfer to Africa
- Better links between the climate and development (Discussions at the 12th Development and Climate Days in Lima took place under the heading "Zero Poverty. Zero Emissions. Within a Generation" #zerozero)
- Inclusion of gender and other issues previously marginalized at climate negotiations.

Participants also identified areas in which actions at COP20 fell short, such as:

- Bringing energy access issues to the centre of climate negotiations
- A robust review mechanism for climate governance
- Continued ambiguity on loss and damage
- Mismatch between available climate finance and Africa's priorities.

Africa's priorities on mitigation and adaptation:

Despite Africa's low emissions level at present, participants suggested that mitigation should be a key African priority in upcoming negotiations:

- Mitigation will become a critical issue in Africa's medium- to long-term growth aspirations. Africa should *not miss the opportunity to shape the mitigation agenda* at the Paris 2015 negotiations which, once agreed, will be locked-in for decades to come.
- Given that the Intended Nationally Determined Contribution (INDC) approach is central to the new climate governance, African states should *actively engage in negotiations to ensure that the INDC mechanism meets adaptation as well as mitigation needs*.
- African states can also use the *INDC as a mechanism to connect their national processes to the international process,* engaging key domestic stakeholders, including ministries, industries, local authorities and NGOs in the process of agreeing on national targets
- Given African priorities in securing and ensuring commitments from current heavy-emitters, a key *negotiating priority at the Paris summit should be an effective review mechanism.* Review mechanisms could perhaps be modelled on the Trade Policy Review Mechanism (TPRM) of the World Trade Organization, the Financial Sector Assessment Programs (FSAPs) of the International Monetary Fund or other existing review mechanisms.
- By *vocally embracing the global 2^{o}C target and participating in mitigation actions,* African countries can have stronger influence in requiring the current heavy-emitters to commit and act on their targets.

Overall, while mitigation objectives have long-term and strategic significance for Africa, participants stressed the need *to raise adaptation to equal importance with mitigation in climate negotiations* in order to address Africa's most imminent and urgent climate challenges.

Climate Finance – How can African governments and businesses best engage climate finance?

Developed countries pledged in 2009 to mobilize $100 billion per year of climate finance for poor countries by 2020, but progress toward this goal remains uncertain. The climate regime's flagship financial institution, the Green Climate Fund, has received pledges for only $10.2 billion to date and has only begun to address how it will distribute the money it does receive. More broadly, it is not clear how the climate finance regime relates to and complements overseas development assistance, especially in relation to the post-2015 Sustainable Development Goals. At the same time, the rising significance of green bonds and other forms of climate finance may bring new opportunities and risks to African governments and businesses.

Participants agreed that *progress has been made in consolidating dispersed sources of international climate finance* with the establishment of the Green Climate Fund. Effort is being made to design climate finance in a way that better meets the local need, such as seen in the recent decision of the GCF board to devolve the funding decision to national intermediaries.[1]

Yet, it *remains an African priority to secure predictable and accessible funding that is responsive to African needs, particularly adaptation*. For example, 34 African countries that have submitted proposals to the Adaptation Fund are still waiting for disbursement due to insufficient funding. Opinions diverged among participants whether the fundamental problem lies in the lack of funding or of bankable projects, which mirrors ongoing debates between recipients (who call for more

[1] See Müller, Benito and Pizer, William, "Devolved Access Modalities: Lessons for the Green Climate Fund from existing practice", *European Capacity Building Initiative*, March 2014.

funding) and fund providers (who contend there is a lack of implementable, bankable projects. Workshop participants agreed that parallel efforts are required to (1) *unlock sufficient funds internationally* and improve the operation model to better meet national/local priorities and (2) *improve capacity for developing and upscaling bankable projects domestically*.

Participants also noted that *Africa must begin to look internally for potential sources of climate finance*, including by shifting investments from 'brown' to 'green' projects. While *international development and climate finance are useful in de-risking and catalysing initial investments*, they cannot be long term solutions for transformation. African states should pursue both domestic resource mobilization and initiatives intended to catalyse private sector finance. Conceiving of low-carbon growth as a business opportunity, rather than as a development burden, may help to unleash additional sources of funding from the business community.

Trans-national Governance – How can African countries—but also cities, regions, companies, civil society groups, and other actors—achieve their goals through the groundswell of climate action at all levels?

Many of the new "bottom up" climate initiatives, besides helping to address climate change, have the potential to bring tangible benefits to African countries (e.g. Norway's recent investment in Liberian forests; the climate-smart agriculture alliance, various renewable energy financing programs, etc.), and African governments participate in many of them. But African participation is far below where it could be. Of the over 14,000 cities, companies, civil society groups, and other sub/non-state actors that participate in global climate initiatives, fewer than 500, or three percent, come from Africa. There may be a global groundswell of climate action, but many in Africa are missing its benefits. Beyond participation, there is an even deeper imbalance with the design and operation of global climate initiatives. Almost all are devised and orchestrated in the US and Europe or in large NGOs or international institutions. There is thus *significant scope for African governments to identify where their own development priorities can be built into climate initiatives, and to propose and lead such initiatives*, recruiting international partners to support them.

While transnational "bottom up" climate initiatives present a significant opportunity for African states and societies, participants also identified hurdles. Some participants suggested that African absence from transnational initiatives should be interpreted not as a lack of interest, but rather as reflective of structural barriers that exclude African participation in international initiatives. Others indicated that, given the limited resources of African governments and NGOs, the rapid profusion of non-UNFCCC initiatives can appear like a drain on resources. Participants also expressed a concern that, given the weak institutional capacity of many African states, 'bottom up' transnational initiatives should not be seen to replace government's responsibilities.

However, several participants stressed that the "bottom up" initiatives present incredible opportunities for African states, as this appears to be where the energy in climate governance is shifting. *Transnational efforts should be seen as complementary, rather than oppositional, to the UNFCCC process.* Participating in transnational climate initiatives does not entail a neglect of the inter-governmental processes geared towards holding governments accountable for their emissions.

What are Africa's priorities?

Climate change will have profound impacts on Africa's natural environment, agricultural system, coastal cities, healthcare, and water supply. At the same time, de-carbonization will alter existing technologies and business models around energy production and industrialization, requiring shifts in governments' development strategies. Within this complex set of interlocking impacts, what should Africa's top priorities be?

In the workshop, **energy** and **agriculture** emerged as key priorities for the continent.

Conventional development models see states transition from an agriculture-dominated economy to industrialization driven by a heavy reliance on fossil fuels, with a later transition to a service economy. This is the development trajectory that many currently developed states have undergone. A fundamental question for Africa is *how to manage these transitions in the development trajectory in a low-carbon fashion*. For several states this will involve 'leap-frogging' from an agriculture-based economy to a low-carbon service based industry. For others, it will involve industrializing on the back of low-carbon energy. Several questions arose: Strategically, is it possible to grow economies without industrialization? Should Africa pursue industrialization at all? And if so, to what extent, given its resources and climate resilience?

Participants recognized that the answer to these questions would depend on each country's distinctive context. Yet, broader conclusions arose from the conversation.

- Understanding development, climate and poverty together means that a focus must be on *increasing energy access while keeping carbon intensity low*.
- Energy access merely for cooking and lighting is insufficient. *Energy access must have a transformational effect* on African economies
- Given Africa's largely rural population, there are unique energy access problems. These problems require thinking beyond 'gridding,' i.e. expanding the electricity grid, which dominates most energy thinking. There is great potential for small grids based on renewables in rural areas.
- The discovery of oil and gas in Africa is increasing. This presents significant political economy challenges for promoting renewable energies.
- Countries that have embraced a 'green growth' or 'low carbon growth' model are largely oil importers. How will this calculus change as the price of oil drops?
- Since electricity generation costs are very high in Africa and the cost of renewable energies is continually declining*, many renewable energies are competitive with fossil fuels in Africa.* However, this calculation will also be affected by dropping oil prices.
- Growth on a low-carbon trajectory will have a different political economy from growth on a 'traditional' fossil fuel-driven pathway. *Assessing the distributional implications of the transition to low-carbon growth can help to prepare states for the political challenges.*
- Africa has abundant sources of renewable energy. International and domestic funding is required to provide the capital for the high start-up costs associated with renewable energies. The financing gap for projects between $1 million and $5 million must be addressed for these projects.

- Agricultural transformation will be key to Africa's economic transition, as the Africa Progress Report "Grain, Fish, Money" highlighted.[2] Low-carbon industrialization must co-evolve with climate smart agricultural innovation
- Innovation in climate smart-agriculture is taking place at the local level. Resources and engagement are needed to scale-up these initiatives.

Participants noted three common challenges for Africa's low-carbon development:

1. Skills – There is disparity of skills available within Africa for technological innovation in energy and agriculture. Most universities training the next generation of engineers and innovators are concentrated in South Africa, North Africa and parts of West Africa. Brain drain draws human capital with needed expertise for low-carbon growth out of African states. Competitiveness in terms of foreign technologies remains low.
2. Finance – Reliance on international finance is not sustainable for long-term development of energy sector. International finance focused on energy is limited, as it is not included in either the development or climate discussions.
3. Governance and institutions – Vested interests around conventional sources of energy are entrenched, making the transition to renewable energy difficult.

Recommendations - Where are the gaps?

Overall, participants echoed that Africa has been missing from major international architectures. A shift in framing and perception is required so that Africa can step up to proactively frame the issues that significantly affect the continent. In order to secure critical gains in climate negotiations, African states must move beyond reactively responding to an agenda set elsewhere.

Participants also identified crucial linkages that are missing from current global climate conversations. Firstly, between **development and climate** - in Africa in particular, climate and development are inextricable. In addition to being a year of preparation for the Paris summit, 2015 will also be a crucial year for development: the Third International Conference of Financing for Development will be held in July in Addis Ababa and the sustainable development goals will be agreed this year. The critical connection between poverty reduction and sustainability in Africa must be kept in mind throughout the year. A second crucial linkage is between **the domestic and the international**: the growing transnational initiatives that link local actors across the world should be seen as a complement to the ongoing inter-governmental process that must secure international commitments from governments.

Key recommendations included:

- *African economies can enjoy a 'latecomer's advantage'* in their development trajectories, benefiting from a growing global knowledge base to support their low-carbon growth paths.
- African states should *pursue synergies between development and climate financing*, and clearly identify African priorities for a *demand-driven financing mechanism*.

[2] Africa Progress Report (2014), "Grain, Fish, Money: Financing Africa's Green and Blue Revolutions"

- African countries should vocally embrace the global 2°C target. They can *effectively 'lead by examples' by highlighting and sharing evidence of existing initiatives in Africa* (e.g. of mitigation efforts under way in Ethiopia in public transportation or adaptation initiatives in climate smart agriculture in Kenya).
- A priority in Paris negotiations should be a *comprehensive and effective review mechanism in the new 'pledge and review' model of climate governance*.
- African states should ensure that this new model of *climate governance meets their adaptation needs as well as international mitigation objectives*.
- In the run up to Paris, African negotiators must take advantage of the coordinating mechanisms in the Africa Group and the LDC Group to develop *clear and targeted negotiating objectives.*

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Conference Participants

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