Introduction to the Adaptation Benefits Mechanism

Gareth Phillips, Manager Climate and Environment Finance
Example of a non-market approach

- AfDB has been piloting the Adaptation Benefits Mechanism (ABM) and [www.abmechanism.org](http://www.abmechanism.org)

- Why is ABM an NMA?
  - Certified Adaptation Benefits are issued into a registry
  - Can only be cancelled, no transfer
  - No scope for secondary trading or speculation
  - CAB cancellation codes can be retailed but we seen no scope for wholesale
  - CABs are not fungible and there are no targets
Impact of NMA status

- ABM works by determining a project specific price to be paid for project specific CABs for a project specific crediting period
- Such that the additional revenues overcome barriers to investment
- Minimum concessional finance; no cash cows!

- Means that:
  - The narrative / adaptation need is critical; not lowest cost of production
  - Project developers (African MSMEs) make a return but they do not act to maximise profits
  - Transaction costs can be included in the price
  - Stimulates small scale context specific actions
ABM Project Cycle – Governed by the ABM Executive Committee

- Approved ABM methodology
- Activity Design Document (ADD)
- Host country Letter of Approval alignment with HC policies
- Validation and Registration
- Purchase agreement (ABPA), Financial close, Implementation
- Monitoring and reporting
- Verification, certification and issuance of CABs into registry
- Delivery of CAB redemption codes to offtaker
- Redemption of CABs and reporting under Art 13
Who buys a CAB and why?

- Governments who have committed to help developing countries meet their adaptation needs
- Others can also buy and reporting to shareholder / stakeholders or Govt

- On receipt of the redemption code for a CAB the recipient can “cancel” the CAB and receive a certificate confirming:
  - Amount of money paid for CAB
  - Amount of money and other resources leveraged
  - Qual and quant report on outputs / outcomes / impacts; linked to host country declared needs
  - Other data relating to SDGs for example

- Host country receives same information for reporting of support received
ABM Pilot Phase

- ABM Pilot Phase launched on 21 March 2019 in the margins of the African Climate Change Week in Accra, Ghana
- Duration: March 2019 - Dec 2023
- Purpose – demonstrate the ABM on the ground through projects in Africa and deliver an operational mechanism for wider use to the international community in 2023 – the year of the Global Stock-take.
- Resource mobilization target: 30-50 million USD
- Established Interim ABM Executive Committee in October 2019 – operational and building the infrastructure
- Established Meth Panel and Roster of Experts; 1 meth submitted to date
- Plan to establish the African Adaptation Benefits Fund to sign purchase agreements
- Plan to register 2+ projects in 2022
THANK YOU FOR YOUR ATTENTION

SECRETARIAT: ABMECHANISM@AFDB.ORG

WEBSITE: ABMECHANISM.ORG