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Charting Africa's Energy Future

White Paper

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The “Charting Africa’s Energy Future” White Paper was created at the Africa Energies Summit.

It discusses the need to unlock Africa’s resources and develop and transform the quality of life for its people. The White Paper puts forward seven recommendations to guide African governments and policymakers to unlock funding for future energy projects.



Executive Summary

The Africa Energies Summit, Africa’s Premier Global Energy Conference held a roundtable on the challenges and opportunities of developing Africa’s energy resources. A chaired session focussed on creating a White Paper to the title “Charting Africa’s Energy Future”.

Designed for industry thought leadership, the White Paper will form and guide governments, institutions and policymakers in a way that could strengthen their hand when approaching financial institutions for investment in African energy projects.

Despite the African continent being blessed with natural resources, more than 40% of its people still live without access to electricity according to the International Energy Agency.

International private finance is so risk averse towards Africa that it is difficult to secure funding for any kind of energy project, whether hydrocarbons or renewables. The high cost of capital means that projects quickly become unfeasible.

Starved of finance, African nations will only fall further behind in their development. The White Paper puts forward seven recommendations to guide African governments and policymakers to unlock funding.

The Elephant in the Room: Africa's Untapped Energy Resources

Unblocking access to finance is critical if African nations are to capitalise on their natural resources and develop and transform the quality of life for their people.

The elephant in the room must be addressed first: Africa's vast undeveloped hydrocarbon and renewable resources.

The African continent holds 13% of natural gas and 7% of global oil reserves¹, and has immense wind, solar, hydro and geothermal potential. Yet, Africa accounts for just 3% of global energy consumption and less than 3% of the world's energy-related carbon dioxide (CO₂) emissions to date and has the lowest emissions per capita of any region.² Exploiting these resources would be a gamechanger for Africa and its social and economic development, helping to lift hundreds of millions of people out of poverty.

Globally there has been shift in government policy to decarbonise the energy mix which has led to the curbing of new investment in hydrocarbon resources.

This has been driven by commitments and legislated targets to meet Net Zero emission within the first of the century, led by many of the developed economies.

The developed economies start from a position of affordable, secure energy for all and are now belatedly looking to rebalance the sustainability of these sources energy following decades of emissions. Large parts of Africa are starting at the point of limited or even no energy access.

Key points

- It is not just Western Nations that are driving decarbonisation, e.g. Japan, South Korea, New Zealand in the APAC, but it does tend to be driven by the developed economies.
- Renewables is just one element of the energy transition and today power makes up just 20% of the global energy mix. So the Transition has a far wider impact beyond moving from fossil fuels to renewables.

Government policy and growing legislation to achieve Net Zero is driving energy producers and consumers to decarbonise.

Pensions funds, institutional investors, development bank, commercial banks are under pressure to assess and manage their potential risk exposure to stranded hydrocarbon assets and to assess the risk exposure of their assets to climate change.

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During COP26 18 governments committed to stop public financing of international fossil fuel projects by the end of 2022.

Key points

- Net Zero is not just a quest but in many cases now a part of energy policy and legislation.
- There is a tangible and immediate impact to investors both from the shift to decarbonise & also medium term impact of climate change.
- These policy changes and investor risk management is making investment in the development of hydrocarbon extremely challenging.

But the fact is Africa, with a population of 1.4 billion as of June 2023, 16% of the total world population according to latest United Nations estimates³, contributes just 2-3% of global carbon emissions. The continent consumes the least amount of energy per capita of any region globally. And if all the oil and gas discoveries made in Africa over the past decade were developed, its emissions would increase to just 3.5% of the global total, according to the International Energy Agency.²

The benefits to the people of developing these resources would far outweigh the marginal increase in emissions.

Holding Africa Back Is Unjust

Africa simply must be allowed to exploit its energy resources hydrocarbon and renewable resources.

It would be unjust to allow existing plants to operate in the United States and Europe for the next 25 years, while banning new projects in Africa that can be built to the highest environmental specifications and have a transformative impact on economies.

"This is about honour, geopolitically and generally. This is not about emissions and climate change. The ban is on financing Africa's development" said Cany Jobe, Director of Exploration and Production, Gambia National Petroleum Corporation.

As an example of how the energy transition is impacting Africa, Jobe recounted that bp signed up to drill exploratory wells in Gambia in 2019, but then exited the country two years later following a change in corporate strategy towards low carbon energy. The withdrawal derailed Gambia's plans to achieve universal electricity access with gas-fired power projects.

The case needs to be made for investing in Africa energy. It needs to be explained to those driving the energy transition that Africa is starting from a vastly different position. In many places, there is simply nothing to transition from.

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Make An Exception for Africa

If the UN COP is serious about the need for a 'Just Transition' then a framework needs to be developed that recognises the unique starting position of Africa in the Transition. The framework should support the creation of master plans for the development of energy in each of the nations across the continent and to help facilitate access to funding the deployment of projects.

The Ukraine war has led to some softening in attitudes towards fossil fuels, especially gas, over the past year. With Russian supplies no longer an option, energy security is top of the agenda again in Europe and influential ears have grown more sympathetic to the topic of new hydrocarbons investments. This is an opportunity for African nations to step into the breach as gas exporters, but also as exporters of electricity generated from solar, wind, geothermal energy, and hydrogen.

Geographically, the African continent is well placed to become the primary energy supplier to Europe, leveraging all its various energy resources.

Which returns us again to the question of access to finance for energy projects.

"Africa is not getting financing for traditional oil and gas, but we are not getting financing for renewables either," stated Jobe.

In 2021, the continent accounted for just 0.6% of the \$434 billion invested in renewables worldwide, according to BloombergNEF.⁴

We Want Investment Not Aid

To achieve the Sustainable Development Goals by 2030, which include universal access to electricity, the United Nations estimates that Africa needs \$1.3 trillion a year in funding. But the continent currently attracts less than 5% of global project financing.⁵

"The pledges made at the Paris Climate Conference have not materialised," added Jobe. *"This is a different conversation from asking for aid. This is a conversation around investment."*

Even with Africa's undeniable potential in solar, wind, geothermal and hydropower, financing is just as difficult to secure for renewables projects as it is for hydrocarbons.

The cost of capital is often so high due to political risk that it makes projects unfeasible. In the past, China was happy to step in and plug the funding gap, enabling some important infrastructure to be built. But Beijing is now looking to reduce its exposure to the continent.

Starved of finance, African nations will only fall further behind in their development.

Unblocking access to finance for energy projects is key for Africa's future. So, what more can governments do to attract the investment they need?

Seven Whitepaper Recommendations

The roundtable participants put forward seven recommendations for government institutions and policymakers that could strengthen their hand when approaching financial institutions for investment in African energy projects.

1 Tie Hydrocarbons projects to development projects

Gas projects should be combined with the development of critical infrastructure such as power plants, roads, hospitals, schools, water, and sanitation projects. Make the international energy company responsible for executing additional community-enhancing projects, instead of taxing them so heavily, to strengthen the investment case.

2 Look to build a gas value chain

Gas can be a game-changer for Africa, but rather than simply exporting all the raw gas, countries should look to add value to the hydrocarbons as well. Downstream investments such as urea/ammonia plants not only create more long-term jobs, but the fertilizer can be used to expand domestic agricultural production, thereby improving food security, and creating additional export opportunities. Gas should be used to create new industries for the betterment of the whole country. Gas that is currently being flared should be captured and used.

3 Ask for more blended finance

The roundtable attendees said there needed to be greater involvement from development finance institutions, national banks, and sovereign wealth funds in energy projects to de-risk investments and mobilise private capital flows. Capital needs to be both available and affordable. "We need a combination of private and public funding. You cannot just expect the market to shift its perspective in terms of risk," said one participant.

4 Greater intraregional co-operation

African countries can put forward joint projects that share access to resources and resolve shared challenges. There is an opportunity to use regional power pools to create a stronger investment case for electricity generation projects and gas-to-power projects. Regional energy master planning would especially benefit smaller nations with more limited resources. Similarly, North African countries could leverage existing gas export pipelines for green hydrogen export projects.

6 Establish clear regulatory frameworks for the renewables sector

This should be a regulatory framework that covers the development of all energy sources, a national energy masterplan should provide a medium framework upon which policy can be developed to support delivery of the energy plan.

The plan should address; access (to energy), social & economic development and environmental sustainability.



5 Harness domestic financing

Domestic financing has been underexplored by African governments. But with the right political will and creativity, it is possible to fund megaprojects internally. The \$80bn Grand Ethiopian Renaissance Dam is an example of a project that failed to secure international bank financing. The government was eventually able to fund it by selling domestic bonds and seeking private donations.

“Within Africa we don’t talk enough about domestic funding,” commented one participant. The African Export-Import Bank and African Finance Corporation also have a vital role to play in unlocking finance for Africa by supporting projects and making equity investments. Securing their support for a project can help to unlock private capital.

7 Create a compelling national investment story across all energies

Many Western financial institutions have low risk appetite for African investments due to political and security concerns. But Africa is a huge continent, not just one country.

To encourage banks to look beyond the Africa label, governments should create compelling national investment stories. They need to position themselves to stand out from other nations so that their projects become more attractive propositions. With interest growing in impact investing, detailed development agendas that clearly set out the challenges and opportunities will help to unblock financing.

Give Africa a Chance to Prosper

Mobilising finance for energy projects is crucial for the development of Africa and the wellbeing of its people. Despite repeated promises of increased funding, with just seven years left to achieve the SDGs (Sustainable Development Goals), the continent is still far from being able to achieve its goals.

The priority for the region is universal access to energy, but countries also need to generate revenues to meet the other SDGs, providing access to education, healthcare, transportation and improving the overall fundamentals of life.

“You cannot transform a country’s economy just with microgrids,” emphasised Daniel Davidson, Chief Operating Officer, Frontier Energy Network.

The global quest for net zero emissions, therefore, must be balanced with development priorities. Africa has to be allowed to capitalise on all its natural resources, and it must be provided with the financing to do that.

The longer that Africa is starved of investment, the greater the exodus of migrants seeking better opportunities elsewhere. With thousands of young people dying each month on perilous journeys to Europe, something has to change.

Energy security and stemming illegal migration are Europe’s chief concerns at present. And the solution to both is investing in energy projects in Africa.

Instead of talking about an energy transition, we should be talking about a global rebalancing of energy supply: giving Africa nations the chance to prosper while we all work together to achieve net zero 2050.⁶

“Or is the agenda to keep Africa back for ever?” asked Jobe.

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The African continent holds 13% of natural gas and 7% of global oil reserves¹, and has immense wind, solar, hydro and geothermal potential.

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With thanks to our Roundtable Participants



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