

INTERIM TECHNICAL REPORT_AFRICAN CENTRE FOR A GREEN ECONOMY

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Geopolitics and Africa's just transition

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Executive Summary

Africa's transition to clean energy is prone to global geopolitics. The current global energy crisis as a result of the invasion of Ukraine by Russia has led to a general increase in prices of food and other related commodities around the world. This is happening at a time when many countries are gradually recovering from the impacts of the Covid-19 pandemic. Looking at the discourse of the just transition across the world, Africa's position and understanding need to be put within the contextual realities of the continent. Millions of people in Africa are hungry, energy impoverished, and depend on unclean energy. Additionally, over 80% of the population is in the informal sector, and they operate from the bottom of the pyramid. Given this, the discussion about the just transition in Africa needs to be centred on the socio-economics of the continent. Africa is vulnerable to climate change because it has a very low socio-economic base. It is the least climate-resilient region and lacks the capacity and climate finance for adaptation and/ or mitigation.

A just transition in Africa should ensure more access to resources. It should be about equity, putting food on the table, and more money in more pockets.



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Additionally, the discussions should shift to how Africa can leverage its abundance to cushion the livelihoods against shocks; because emergencies and calamities will continue. There is a need to climate-proof Africa so that the continent can be socio-economically viable and lift its people from the bottom of the pyramid.

Key Recommendations for policymakers:

- Need for clearly defined policy frameworks that foster closer ties with the private sector
- It is important for African governments to know that the transition is a journey. It requires them to understand the socio-economics of their nations and to create systems that would actually make a difference in people's lives. This transition should be driven using an evidence-based and inclusive manner process.
- Prioritize interventions that empower the youth and women
- Young people and women should be at the forefront of advancing the just transition in Africa. Therefore, there is a need to put in place interventions that prioritize them, in both the rural and urban sectors. Governments should put in place policy incentives, especially fiscal incentives like tax breaks to promote the growth of female/ youth-led businesses.
- Prioritize the mobilization of domestic investment
- African countries should mobilize domestic investments required for the just transition, instead of being always at the mercy of geopolitical ructions in the world. Investors must see the various opportunities of renewables and the new industrial opportunities that are presented by critical minerals and green hydrogen in the midst of this crisis.
- Scale-up solutions that work, leaving no one behind
- Renewable energy enterprises have been impacting the lives of vulnerable communities and the best enterprises are those that deliver energy access to villages. These enterprises however are not as attractive to investors. Therefore, scaling up requires us to appreciate the importance of localizing these interventions, appreciating the value of failing and learning from failure, and lastly being experimental.
- Need for capacity building in order to have adequate resources to deliver the outcomes
- To promote innovation and investment toward net-zero transition, African governments need to

put extra effort into building strong and efficient institutions and developing their human resources.

Background

Why geopolitics will play a key role in determining just transition

The current economic models in most African countries are dysfunctional, hence there is a high level of unemployment, inequality, environmental degradation, and many other socio-economic challenges. The trajectory under which the world economic model is undertaken is highly dependent on growth, and it is not working. This has resulted in a lot of people being left behind in poverty. Recognizing that we face systematic challenges in relation to global change, we need to transition into a world that is much more sustainable and more importantly, a world that is more inclusive and does not leave anyone behind. The concept of just transition is how we transition while making sure that even the most vulnerable people and communities are not left behind. However, the concept of just transition cannot be disconnected from politics and the broader issue around the geographical dynamics of how governance systems work.

There are 2 main dimensions to the issue around just transition:

1. Distribution taking into consideration fairness.
2. Ensuring that everyone is brought along in terms of the processes required to transition

Geopolitics comes in more prominently because countries and communities do not live in isolation. Independent government systems do interact. These politics have a direct implication on how these systems are actually getting implemented and how the strategies are implemented on the ground.

From African countries, we have seen the dynamics around poor trade between countries, and issues around lack of effective corporative interaction around transboundary management of resources.

Geopolitics is about how governance systems related to geographical location intersect, and what the implications are on how some of these environmental policies and strategies get implemented on the ground.

Taking a look at the geopolitics vis-à-vis climate change; before the energy crisis, the African citizenry was already vulnerable to the changing climate; due to the low socioeconomic base.

Unless the young people of Africa who are 60 percent of the population are at the center of the just transition, it will never be successful. In Uganda for instance, the just energy transition must be inclusive



if it is to be successful. The private sector in Uganda has been trying to influence the government of Uganda to implement a green agenda. For example, they insisted that in the distribution of the Covid- 19 recovery fund, priority should be given to SMEs that focused on green enterprises. However, the challenge is that most SMEs in the country are not bankable.

This is part of the goal of ACODE, to conscientise the key stakeholders regarding the importance of the green economy. The solutions to Africa's challenges should come from within, by building resilience and adaptation to climate change. Diversification to clean energy is the way to go in the future.

Why discuss Geopolitics and Africa's Transition now?

Africa's transition to clean energy is being derailed by the oil and gas crisis, which has forced a number of nations around the world to go back to the exploitation of coal deposits. The transition is prone to global geopolitics. As the pandemic slowly began to ebb away last year and countries began opening up, leading economists predicted that this would

lead to an energy crisis and an increase in the price of goods and services causing inflationary pressure in the world.

It was anticipated that world economic growth would be sluggish. Multilateral institutions such as the IMF advised countries to adopt proactive policies to spur economic growth while also sticking to the commitments to an energy transition which they agreed to at COP26.

However, the war in Ukraine has upended all that. Sanctions on Russia, a major producer of oil, gas, and other important commodities such as wheat, fertilizer, and minerals have led to a sharp increase in commodity prices around the world. The increase in energy prices is forcing the rich world whose economies are highly dependent on fossil fuels to invest resources that would have otherwise gone into aiding the energy transition, to the extraction and exploration of oil and gas to compensate for scarcity in the global chain.

Other countries like Germany¹ and the UK have gone further ahead to reopen coal plants that had been mothballed as part of their shift to clean energy.

In addition, it was reported in the press that Italy² had signed agreements to import gas from Angola and Nigeria to compensate for the energy shortfall. All this implies that the nations' plan to cut emissions and achieve the targets agreed to at COP26 increasingly looks set to fail.

This spells doom for Africa, the continent most vulnerable to the effects of climate change because, unlike the rich world, it is a victim of climate change.

Beset by other challenges such as environmental degradation, weak state institutions, and poverty, it makes it difficult to dedicate enough resources to deal with climate change.

An example is the drought currently ravaging the horn of Africa and parts of East Africa. Many countries in this part of the continent have been experiencing conflicts internally and externally for a long time.

State institutions in these countries have gradually weakened and are unable to lift most of the people out of poverty.

The drought is exacerbating these conflicts and prolonging them. Scientists predict droughts in this region will become more frequent and will have devastating impacts on people and livestock, while

also aggravating conflicts between communities and states.

African countries & response to the global crisis

Africa is the only region in the world where energy poverty is expected to increase over the coming decades. This is detrimental to poverty reduction, job creation, health, education, and other SDG-related areas in the continent. Most African countries are net-energy importers; with some exporting crude oil and importing refined petroleum products. The hike in the commodity prices of energy, food, and other related products as a result of the invasion of Ukraine by Russia is expected to exacerbate inflation in Africa, and this is happening at a time when the global economy is gradually recovering from the negative effects of the Covid-19 pandemic.

At a global energy forum that was held in Sydney, the Executive Director of the International Energy Agency (IEA) and one of the world's foremost energy economists Fatih Birol warned³ that:

"The world has never witnessed such a major energy crisis in terms of its depth and its complexity."



The continent has just recovered from the COVID-19 pandemic, and it is now hit with hikes in oil and food prices. Economists have warned that as a result of this crisis, commodity prices could further increase throughout the year, with the average inflation in Africa projected to accelerate to 13.5% in 2022, from 13% in 2021⁴. Additionally, according to the African Development Bank, this year alone, approximately 1.8 million Africans should be pushed further back into poverty. This has called for varied response measures and African leaders have responded differently.

Of significant importance is the Dakar Call to Action⁵, where African leaders from Egypt, Ethiopia, Kenya, Madagascar, Zimbabwe, Malawi, and many other African countries convened in Dakar, Senegal, on the 7th of July 2022 to come up with an action plan that will help them overcome crises and achieve economic transformation in the continent. This will be done with support from the World Bank Group, through its International Development Association (IDA) program. African leaders who convened at this Summit noted with concern that Africa is experiencing reversals of its development gains and this is triggered by global crises such as climate change, the COVID-19 pandemic, conflicts in the region, and the ongoing war in Ukraine.

Speaking at the Summit the President of the Republic of Senegal, and the current chairperson of the African Union, President Macky Sall said,

"We are convening this Summit in a context of deep crisis, marked by the double impact of the COVID-19 pandemic and the war in Ukraine. While we have exponentially increased our spending to respond to the health crisis and foster the economic and social resilience of our people, our fiscal space has shrunk dramatically, and debt vulnerabilities were exacerbated,"

Present at the Dakar Summit also were leaders from the World Bank Group and the United Nations. The World Bank Group assured the African leaders that they will continue to support Africa's development and achievement of SDGs on the continent. Axel van Trotsenburg, World Bank Managing Director for Operations said,

"We are therefore investing about two-thirds of IDA20 financing in Africa, to help the continent make a huge leap forward in creating jobs, and

improving access to services such as education, health care, electricity, and others."

- To this end, the African leaders endorsed a call to action which has the following undertakings:
- Accelerate economic transformation to better respond to future shocks
- Invest in people
- Speed up the energy transition
- Accelerate digitalization
- Strengthen response mechanisms to address food security
- Step-up implementation of the African Continental Free Trade Area

Historically Africa has suffered from a variety of global challenges- droughts, cyclones, etc. Today Africa is a continent that is already suffering from the climate change crisis. If we look at the discourse of the just transition across the world, Africa's position and understanding need to be put within the contextual realities of the continent. Some of these realities are:

- 257 million people in Africa are going to bed hungry
- 620 million are energy impoverished
- Over 900 million depend on unclean cooking

Africa only contributes 4% of global energy emissions. Given this, the discussion about the just transition in Africa needs to be centred on one word- socio-economics. Africa is vulnerable to climate change because it has a very low socio-economic base. A just transition in Africa should ensure more access to resources. It should be about equity, putting food on the table, and more money in more pockets.

In addition, the just transition narrative in the African context needs to centre on Africa's indigenous contextual understanding. 80% of the continent is actually in the informal sector. They are at the bottom of the pyramid and they need to be lifted up through:

- Ensuring that we use clean energy to add value to what they produce
- Ensuring that we leverage nature-based approaches to grow food and add value

Africa's Agenda 2063

The supply of energy is Africa's greatest infrastructure challenge. Many countries in the continent are experiencing power shortages, while others are

paying high premiums for emergency power supplies. As part of Agenda 2063, in July 2021, the African Union Commission launched a 5-year Green Recovery Action Plan for the continent (2021-2027).

The Recovery Action Plan (RAP) is expected to be inclusive, and respectable to the environment, and in line with the SDGs, it is also expected to create jobs in different industries and overcome challenges related to health and climate change. The Green Recovery Action Plan has 5 priority areas that require action and these include:

- Improving climate finance
- Supporting the national just transition to renewable energy
- Nature-based solutions and biodiversity
- Resilient agriculture
- Green and resilient cities

Activities in pillar 2 are aimed at supporting the implementation of the Africa Renewable Energy Initiative (AREI). In addition to the 5-year RAP, in July 2022, the commission also adopted the African Position on Energy Access and Just Transition, a plan that charts out Africa's energy development pathway in the short, medium, and long term. According to this plan, Africa will continue to exploit all forms of its abundant energy sources (renewable/ non-renewable) to address energy demand in the continent. To accelerate energy access and just transition in Africa, some of the pillars implemented under this plan include mobilization of finance, accelerating regional integration, harmonization of policies and regulatory frameworks, and encouraging technology transfer and capacity building.

In Southern Africa, SADC member states set a target to achieve a diversified energy supply, with renewables consisting of at least 39% by 2030. In the past decade, the SADC region has been receiving \$1 billion from Development Finance Institutions such as the AfDB annually, for the production of renewable energy. The region has also been seeking to reduce its contribution to GHGs and achieve NDCs e.g. through coal divestment. A major contributor to renewable energy in this region is hydropower, with countries like the DRC, Zambia, Zimbabwe, Tanzania, Angola, Malawi, Mozambique, and South Africa being the leading contributors to hydropower in the region. South Africa and Namibia lead in solar energy

production. Wind energy still remains untapped in the region, with South Africa being the only country generating it on the grid.

In Africa, the cost of capital to establish clean energy projects is a big challenge. In the renewable energy sector, the bank's Sustainable Energy Fund for Africa⁶ (SEFA) supports private sector investments in small and/or medium-sized clean energy projects. In addition, there is the Africa Renewable Energy Fund (AREF) which focuses on the development of small to medium-sized renewable energy projects producing between 5 MW and 50 MW.

Speaking in a webinar on "Leveraging Africa's green minerals for the energy transition: The role of regional integration and the AfCFTA," one of the panelists Wale Shonibare, the Director of the AfDB's Energy Financial Solutions, Policy and Regulation Department said there is need to mobilize financial resources to accelerate the development of battery storage and the electric vehicle value chain in Africa. He also advised that leaders from top African institutions like the AU, AfCFTA should establish pan-African measures to harmonize standards, tax relief, and free trade to realize this ambition.

To what extent will this global dynamic affect Africa's access to climate finance in the short run?

There are concerns that as a result of the Russia-Ukraine war, there could be a diversion of world leaders' attention from climate obligations (in terms of climate finance). At the 2022 World Economic Forum that was held in Davos, world leaders acknowledged the fact that indeed Russia's invasion of Ukraine had immensely reshaped the global energy landscape and markets. Responding to this, Fatih Birol emphasized that with the right investment, both the energy crisis and the climate change crisis can be tackled⁷. He said, "We don't need to choose between an energy crisis and a climate crisis - we can solve both of them with the right investment."

In addition to that, World Bank Group President David Malpass highlighted that in this fiscal year, the bank is committed to increasing its climate finance flows. He made these remarks at the 2022 Nordic-Baltic Governors Meeting. The World Bank Group is the world's largest financier of climate action in many African and other developing countries. He further



highlighted that the bank is committed to aligning financing flows with the Paris Agreement⁸.

At a recent climate change meeting that was held in Bonn, Germany, the chair of the African Group of Negotiators on climate change, Mr. Ephraim Mwepya Shitima from Zambia assured the stakeholders that as African nations go back to the negotiations, there is hope that the geopolitical situation will not affect the outcomes of COP27. The multilateral process in the event is guided by rules and guidelines, irrespective of the geopolitical situation, and African countries should not lower their expectations. He added that the Paris Agreement obligations guide the negotiations under the UNFCCC, and nations are committed to collectively enhancing and progressing their work under the UNFCCC⁹.

African countries, therefore, need to make sure that they get the resources so that their countries can effectively be able to respond to some of the challenges they face. Without putting the right strategies/ mechanisms in place, Africa will not be able to respond effectively to some of these challenges.

It is already evident that there is a potential risk that commitments towards achieving the climate agenda could be diversified elsewhere. Countries like Germany, which have strong commitments toward renewable energy, are taking short-term responses to address the energy crisis by exploiting coal again. It was also recently reported in the press that Italy had signed agreements to import gas from Angola and Nigeria to compensate for the energy shortfall. All this implies that the nations' plans to cut emissions and

achieve the targets agreed to at COP26 increasingly looks set to fail.

Stakeholders need to collectively work towards identifying what the solutions are and how we can make sure that even the most vulnerable members of society are able to build the adaptive capacity that they require so that they can be able to respond effectively to the impacts of climate change.

Every discussion must therefore be centred on the socio-economics of Africa. People need more food on their tables and more money in their pockets. Additionally, the discussions should shift to how we can leverage African abundance to cushion Africa against shocks; because emergencies and calamities will continue. There is a need to climate-proof Africa so that the continent can be socio-economically viable and lift its people from the bottom of the pyramid. Africa also needs to get resources to respond to challenges such as climate change.

Key recommendations for advancing the just transition and building resilience

- Need for clearly defined policy frameworks that foster closer ties with the private sector

There is a need to first recognize that there are no quick ways to solve these issues. Governments are quick to jump into big projects that do not actually benefit the people. It is important to know that the transition is a journey, understanding the socio-economic and creating the system that would actually make a difference in people's lives is a journey that does not happen overnight. This transition should be driven using an evidence-based and inclusive manner process. Many of the solutions that can address the issues lie at the local level. Africa should not translate Western concepts but rather internalize them into the African context and see how they can create those win-win situations. The Northern Cape Province in South Africa, for example, is the hub for renewable energy in South Africa but most of the local people do not have access to electricity and those with access cannot afford electricity. This is why there is a need to ensure that these projects are very inclusive, people have to be brought along, and most importantly that they are embedded in local realities.

- Prioritize interventions that empower the youth and women

Young people and women should be at the forefront of advancing the just transition in Africa. Therefore, there is need to put in place interventions that prioritize them, in both the rural and urban sectors. A challenge/ a crisis should not be wasted. Across Africa, 84% of the entire population is in rural areas, without access to energy, and grid electricity is not going to reach them. There is a need for up-grid and mini-grid to be able to reach them, and young people are supposed to intervene in that. Over 900 million of the entire African population is dependent on unclean cooking- charcoal. Turning agricultural waste into foil briskets replaces charcoal, and can tap into a USD 20 billion market that is currently untapped. That is how climate-preneurship opportunities are created. Governments should put in place policy incentives, especially fiscal incentives like tax breaks.

- Prioritize the mobilization of domestic investment

African countries should mobilize domestic investments required for the just transition, and must not always be at the mercy of geopolitical ructions in the world. African leaders and investors must see the various opportunities of renewables and the new industrial opportunities that are presented by critical minerals and green hydrogen in the midst of this crisis. Many potential opportunities can be exploited to advance clean and climate-compatible development in the continent and these will help strengthen the African energy and food supply chains so that they remain resilient in the face of shocks and other global crises. In the energy sector, for example, the continent is richly endowed with minerals like lithium, cobalt, graphite, copper, nickel, and many other rare earth minerals that provide Africa with a unique opportunity to benefit from low-carbon, climate-resilient developments.

- Scale-up solutions that work, leaving no one behind

Scaling up can be in 2 dimensions (horizontal and vertical scaling up). Vertical scaling up is about the traditional business where one may desire to

start a massive enterprise. Horizontal scaling up is basically saying that some of the solutions required do not necessarily turn into a massive enterprise but those solutions can find traction in different communities. They can be easily replicated at scale across the landscape, regions, and communities. To achieve that, we require a culture of learning and experimenting for some of these solutions. Entrepreneurs need to recognize the value of failure. Renewable energy enterprises have been impacting the lives of vulnerable communities and the best enterprises are those that deliver energy access to villages. These, however, are enterprises that are not as attractive to investors. Therefore, scaling up requires us to appreciate the importance of localizing these interventions, appreciating the value of failing and learning from failure, and lastly being experimental.

- Capacity building in order to have adequate resources to deliver the outcomes

To promote innovation and investment toward net-zero transition, African governments need to put extra effort in building strong and efficient institutions and developing their human resources. African governments and policymakers should design inclusive climate resilience and just transition policies that contribute to socio-economic development in their nations. Many African countries are major suppliers of minerals used in renewables and electronic goods to producers in China, the U.S, and E.U. Africa needs new models focused on developing clean energy technology industries close to the sources of raw materials. That way, social-economic development is boosted in mineral-rich countries. In addition to that, innovation is a key driver for climate-resilient development. There is also a need to build the capacity of youth- the African climate army, to be the solution providers to the challenges currently faced. This is done by turning climate change problems into climate opportunities.

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