SUBMISSION TO THE UK'S ALL PARTY PARLIAMENTARY GROUP FOR AFRICA, SUPPORTED BY THE ROYAL AFRICAN SOCIETY AND OXFAM

IN REPSONSE TO A CALL FOR WRITTEN EVIDENCE FOR A NEW POLICY INQUIRY INTO

UK-AFRICAN PARTNERSHIPS FOR JUST ENERGY TRANSITIONS IN AFRICA

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About Clean Energy Policy Institute

Clean Energy Policy Institute was established in 2021 to advocate for a just energy transition in Africa through research and policy advisory work. Research areas include rural and urban electrification, climate and renewable energy finance, renewable energy law, policy and regulation, clean energy solutions, climate change risks and mitigation, decarbonisation strategies, carbon markets, energy efficiency and natural gas as a transition fuel.

About the Author

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EXECUTIVE SUMMARY:

Africa's development challenges are overlapping and multi-faceted. A just energy transition for Africa is one which takes a holistic approach to solving energy poverty in Africa and considers Africa's developmental energy needs. A just energy transition must also consider the socio-economic impact of the energy transition including gender perspectives.

The global energy transition creates several opportunities for countries in Africa. African economies could leapfrog fossil-fuel dependent technologies and adopt climate-friendly and energy-efficient technologies. However, it also poses some challenges especially for countries with weak governance systems and fragile political terrains.

Electricity demand is projected to double in 2030 yet supply constraints remains. The result is low economic productivity and challenges in critical sectors including health care and agriculture. Low access to clean cooking solutions also has adverse consequences for the environment.

Private sector and governments have a huge role to play in delivering a clean energy transition in Africa given the significant investment which is required to realise Africa's renewable energy potential. Multilateral institutions and development banks must adopt policies which take cognizance of Africa's developmental energy needs and must adapt their funding strategies accordingly.

This submission addresses the following questions in the policy inquiry:

1. How to address the challenge of energy poverty in Africa in line with the continent's development needs, the principles of a just transition and continental and global climate targets for emissions reductions?
2. The benefits and threats to Africa from the global clean energy transition and the national and international factors enabling and constraining the supply of clean energy and improved energy access.
3. Changing patterns of energy demand and supply in Africa and the impact these have on the economy, society and the climate.
4. Case study examples and evidence of (a) just and (b) unjust energy transition initiatives in Africa and details of what made them so.
5. The role and limitations of Private & Public finance in supporting and delivering the clean energy transition. How can providers ensure that their finance and investments contribute to a just energy transition and mitigate any associated environmental or social harms that might arise?
6. The changes needed to the policies of multilateral institutions and development banks for them to best better support a just, clean, and developmental energy transition for Africa.

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1. How to address the challenge of energy poverty in Africa in line with the continent's development needs, the principles of a just transition and continental and global climate targets for emissions reductions?

Africa contributes less than 4% of global emissions but bears the brunt of climate change effects.[2] In 2020, 4.3 million people in Africa became internally displaced due to climate related disasters.[3] It is estimated that more than 30 million people could fall into extreme poverty by 2030 due to climate related vulnerabilities.[4] Africa also has a real energy access deficit with close to 700 million people who have

[2] Mo Ibrahim Foundation, 2022, *The Road to COP27, Making Africa's Case in the Global Climate Debate*

[3] African Development Bank Group, 2022, *African Economic Outlook 2022, Supporting Climate Resilience and a Just Energy Transition in Africa*

[4] Mo Ibrahim Foundation (2)

no access to electricity. Even where there is access, the electricity supply is constrained due to lack of consumption, poor transmission and distribution infrastructure and financially weak utilities.[5]

A just energy transition is one that puts Africa's development needs at the fore front of its energy transition plans. Africa is faced with various development challenges which overlap, therefore, it is important to adopt a holistic approach to solving Africa's energy poverty which will not hinder Africa from achieving its development targets.[6] Global policies and decision-making on climate change targets for emissions reductions must create special regimes for countries in Africa to continue to rely on fossil fuels like gas as a 'transitionary fuel' while simultaneously increasing the utilisation of renewable energy in their energy mix.[7] The Nigerian Energy Transition plan which was developed by the Nigerian government in partnership with Sustainable Energy for All, the Rockefeller Foundation and Global Energy Alliance for People and Planet, is a good example of this.[8]

Furthermore, a just energy transition is one that contemplates the socio-economic impacts of the energy transition.[9] It should integrate labour and social protection frameworks to ensure that existing inequalities are not exacerbated by the energy transition. Policy makers must also ensure that they consider gender perspectives when formulating policies.

2. The benefits and threats to Africa from the global clean energy transition and the national and international factors enabling and constraining the supply of clean energy and improved energy access.

Benefits of the global clean energy transition and the national and international factors enabling the supply of clean energy and improved energy access.

The current global clean energy transition creates several opportunities for countries in Africa. African economies could leapfrog fossil-fuel dependent technologies and adopt climate-friendly and energy-efficient technologies.

Clean energy has the potential to reduce the energy access gap across Africa. Off-grid solar systems have been successfully used to provide electricity to rural communities in areas with no connection to the grid. According to an IRENA report, the cost of electricity from solar PV reduced by over 80% between the period from 2010 to 2019 while the cost of onshore wind fell by 40% within the same period. This makes renewable energy the cheapest option for new electricity generation.[10]

In addition, the push towards increased adoption of clean energy solutions will lead to the creation of more jobs in Africa and increased productivity with global GDP forecasted to jump by 2.4%[11]. Furthermore, access to affordable clean energy solutions like clean cooking technologies[12], clean

[5] Moussa P. Blimpo and Malcolm Cosgrove-Davies, *Electricity Access in Sub-Saharan Africa, Uptake, Reliability and Complementary Factors for Economic Impact* (A co-publication of the Agence française de développement and the World Bank), 2019

[6] Mo Ibrahim Foundation (2) at p.100

[7] Ibid

[8] https://www.energytransition.gov.ng/implementation/

[9] International Renewable Energy Agency, The Renewable Energy Transition in Africa: Powering Access, Resilience and Prosperity

[10] International Renewable Energy Agency, *The Renewable Energy Transition in Africa, Powering Access, Resilience and Prosperity*

[11] Ibid

[12] International Energy Agency in collaboration with African Development Bank Group, (July 2023), A *Vision for Clean Cooking Access for All*, (World Energy Outlook Special Report)

cooling solutions[13] and energy efficient technologies will significantly improve the livelihoods of millions of people in Africa.[14]

African economies also stand to gain from the new scramble for critical minerals required for the energy transition given that many of the minerals are available in abundant supply in Africa. Countries in Africa can position themselves to be more integrated into the new energy value chain by pushing to process the raw minerals on the continent.[15]

Lastly, Africa has the potential to be one of the leading renewable energy manufacturing hubs in the world. A recent study found that investments in local renewable energy manufacturing capacity will lead to economic growth, job creation, reduce dependence on fossil fuels and increase opportunities for export. [16]

Threats of the global clean energy transition and the national and international factors constraining the supply of clean energy and improved energy access.

The new rush for minerals for the energy transition has the potential to aggravate local conflicts and escalate existing inequalities in countries with weak governance systems and fragile political terrains[17]. Another risk is that mining of critical minerals could have a negative impact on local communities and the environment and lead to the displacement of indigenous communities from their land without appropriate resettlement plans. In addition, the rise of artisanal and small-scale mining especially in developing economies increases the risk that many low-income workers will be exposed to unsafe working conditions with little social protection.[18] It is important that policies for the global energy transition address these challenges.

Furthermore, poorly planned renewable energy projects could result in adverse environmental, health and safety outcomes in the long-term. Policies for the global energy transition will need to consider the entire life-cycle of renewable energy technologies. There must be proper plans in place for the maintenance and disposal of renewable energy systems to ensure that clean energy solutions are sustainable. A recent report by the Washington Post[19] highlights the importance of proper planning, implementation and monitoring of renewable energy projects throughout the life-cycle of such projects.

3. Changing patterns of energy demand and supply in Africa and the impact these have on the economy, society and the climate.

Changing patterns of energy demand and supply

Electricity demand in Africa is projected to double in 2030 due to increase in urbanisation, technological advancements, regional integration and climate change.[20] However, supply constraints remain due to infrastructure deficit coupled with low energy consumption rates, financially weak utilities and the absence of cost-reflective tariffs.[21]

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[13] Sustainable Energy For All (2022), *Chilling Prospect: Tracking Sustainable Cooling for All*

[14] International Renewable Energy Agency (IRENA), *The Renewable Energy Transition in Africa, Powering Access, Resilience and Prosperity*

[15] IRENA (2023), *Geopolitics of the Energy Transition: Critical Minerals*

[16] Sustainable Energy For All (2022), *Africa Renewable Energy Manufacturing: Opportunity and Advancement*

[17] IRENA (2023), Geopolitics of the Energy Transition: Critical Minerals

[18] Irena Geopolitics p. 73

[19] Karishma Mehrotra, *Indian joins rush to renewables, but its rural solar systems fall off grid* https://www.washingtonpost.com/world/2023/07/31/india-solar-energy/

[20] Moussa P. Blimpo and Malcolm Cosgrove-Davies (5)

[21] Ibid

Impact on the economy, society and climate

The effects of the huge energy access gap is multi-layered and multi-sectoral. In agriculture, food loss is rampant because of lack of access to cooling facilities[22]. In health care, children do not have access to safe vaccines and hospitals cannot safely store temperature sensitive drugs because of lack of cooling facilities[23]. Also, millions of people, especially women, are at risk of smoke inhalation and in-door pollution as a result of cooking with dirty fuels.[24] Cooking with firewood and charcoal also contributes to deforestation.[25]

4. Case study examples and evidence of (a) just and (b) unjust energy transition initiatives in Africa and details of what made them so.

An example of a just energy transition initiative

The Just Energy Transition Partnership (JETP) is an example of a just energy transition initiative. JETP was launched at COP26 to provide support to developing countries which rely heavily on coal to achieve a just energy transition. The JEPT aims to support these countries in their self-defined pathways and takes into consideration the social and economic impact of the energy transition. It has been said that properly implemented JEPTs hold potential as innovative climate finance tools.[26]

An example of an unjust energy transition initiative

On the other hand, an example of an unjust energy transition initiative, is the commitment by 39 countries and development agencies including the UK and US at COP26 to end international public financing of fossil fuel projects by 2022 except in very limited circumstances[27]. This initiative is unjust because it does not take into consideration the huge energy gap and developmental energy needs in Africa. In Africa, over 600 million people have no access to electricity.[28] For those who have access, supply is often epileptic and brownouts are common place. The high costs of electricity is also prohibitive and leads to low consumption levels. In addition, more than 930 million people still rely on dirty fuel sources for cooking. Lack of electricity also leads to reduced productivity and increased food waste especially in rural areas due to the lack of accessible and affordable cooling facilities.

While some African countries have made significant progress with deploying renewable energy to meet its energy demands, it is simply not enough.[29] Wind and solar renewable energy sources can be unpredictable and energy storage technologies are not mature enough to provide stable and reliable alternatives. Hydropower also has its own challenges as it is significantly subject to climate change risks. Gas is an abundant natural resource in Africa and will provide a stable source of energy to meet Africa's development needs while it slowly increases the amount of clean energy in its energy mix.

In conclusion, Africa contributed the least to global warming but is set to be the worst hit by adverse climate change outcomes.[30] A just energy transition must take Africa's unique developmental challenges into consideration. To implement global energy transition initiatives without acknowledging this, goes against the principles of justice and fairness.

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[22] Sustainable Energy For All (2022), Chilling Prospect: Tracking Sustainable Cooling for All
[23] Ibid
[24] International Energy Agency in collaboration with African Development Bank Group, (July 2023), A Vision for Clean Cooking Access for All, (World Energy Outlook Special Report)
[25] Ibid
[26] Katherine Kramer, Just Energy Transition Partnerships: An opportunity to leapfrog from coal to clean energy https://www.iisd.org/articles/insight/just-energy-transition-partnerships accessed 20 August 2023
[27] https://webarchive.nationalarchives.gov.uk/ukgwa/20230313124743/https://ukcop26.org/statement-on-international-public-support-for-the-clean-energy-transition/ accessed on 20 August 2023s
[28] Mo Ibrahim Foundation report, page 40
[29] Ibid
[30] Ibid

5. **The role and limitations of Private & Public finance in supporting and delivering the clean energy transition. How can providers ensure that their finance and investments contribute to a just energy transition and mitigate any associated environmental or social harms that might arise?**

Role of private finance

Private finance has a huge role to play in delivering a clean energy transition in Africa. Significant investment is required to realise Africa's huge renewable energy potential. However, the flow of private capital for development of renewable energy projects in Africa has been limited due to a number of factors including political risk, regulatory uncertainty, foreign illiquidity challenges, inflation amongst others.[31]

Role of public finance

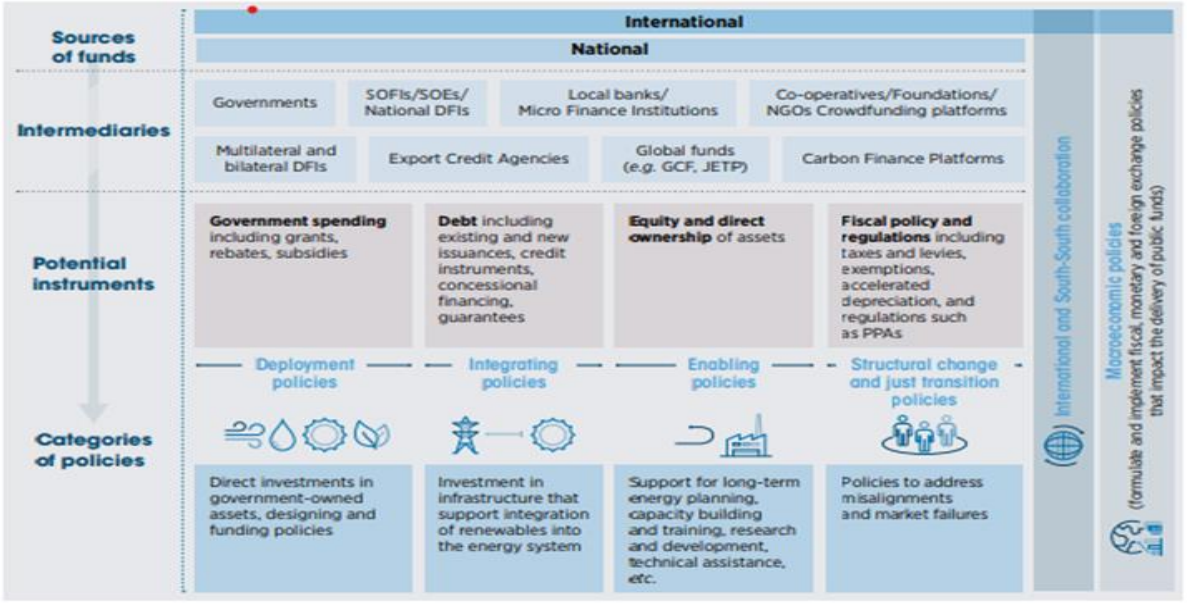
Governments have a major role to play in financing a clean energy transition. Historically, sovereign guarantees have been primarily used to derisk renewable energy projects.[32] However, these instruments are treated as contingent liabilities and often limit the ability of governments to access additional finance for critical infrastructure projects.[33] Public finance could be channeled through grants, subsidies, concessional financing for renewable energy projects and concessional consumer financing.[34] Governments could also adopt other policies to promote a clean energy transition including removal of subsidies on fossil fuels, institution of carbon taxes or a carbon emissions trade scheme, and tax incentives for renewable energy projects.[35]

How to ensure finance and investments contribute to a just energy transition and mitigate any associated environmental or social harms that might arise

In order to ensure that finance and investments contribute to a just energy transition and mitigate any associated environmental or social harms that may arise, financiers must ensure that a proper environmental and social risk assessment is carried out for all projects and all environmental and social risks are mitigated. In addition, a climate risk assessment must be carried out for all proposed investments to ensure that the underlying projects will not result in adverse climate outcomes.[36]

[31] The African Private Capital Association and Tony Blair Institute for Global Change (2023) *Climate Financing in Africa: Strategies for the Future*
[32] IRENA (2023), *Global Landscape of Renewable Energy Finance*
[33] Ibid
[34] Ibid
[35] Ibid
[36] The African Private Capital Association and Tony Blair Institute for Global Change (2023) Climate Financing in Africa: Strategies for the Future

Figure S.15 The flow of public finance for a just and inclusive energy transition



Note: DFI = development finance institution; GCF = Green Climate Fund; JETP = Just Energy Transition Partnership; NGO = non-governmental organisation; PPA = power purchase agreement; SOFI = state-owned financial institution; SOE = state-owned enterprise.

Source: IRENA Global Landscape of Renewable Energy Finance 2023

6. The changes needed to the policies of multilateral institutions and development banks for them to best better support a just, clean, and developmental energy transition for Africa

In crafting policies on financing the energy transition in Africa, multilateral financial institutions (MFIs) and development banks (DBs) should take cognizance of the developmental energy needs of Africa and coupled with the fact that the continent remains the most vulnerable to climate change risks and adapt its funding strategies accordingly.

Firstly, internal policies on capital adequacy and liquidity need to be reviewed to provide more leverage for MFIs and DBs to take on the risks of financing renewable energy projects in Africa without affecting their profitability or financial integrity.[37]

MFIs and DBs could also explore creative ways of raising financing for a just energy transition. Apart from getting more funding from donor countries[38], MFIs and DBs could restructure their balance sheets and securitise existing loan receivables[39] to create new financial products which could then be traded on international exchanges. The proceeds of these new financial products would in turn unlock additional funding for new investments[40].

In addition, MFIs and DBs could increase the use of innovative finance instruments like results-based financing where private companies take on project implementation risks.[41] Other tools like performance-based grants could also be deployed. The Universal Energy Facility established by Sustainable Energy for All in collaboration with other development partners, is a good example of this initiative.[42] MFIs and DBs could also provide liquidity facilities to mitigate against liquidity risks and

[37] African Development Bank (2023), Africa Economic Outlook, *Mobilising Private Sector Financing for Climate and Green Growth in Africa*
[38] Ibid
[39] IRENA (2023), *Global Landscape of Renewable Energy Finance*
[40] Ibid
[41] Ibid
[42] https://www.seforall.org/UEF

foreign exchange risks[43] and issue credit-enhancing guarantees to improve the credit ratings of local currency debt instruments. This will in turn unlock additional local currency capital for investments in the renewable energy sector.

Lastly, more finance should be directed towards system-wide energy transition plans rather than on individual renewable energy projects. MFIs and DBs should work with national governments to prepare robust national energy transition plans and provide support for the implementation of the energy transition plans.[44]

[43] IRENA (2023), Global Landscape of Renewable Energy Finance

[44] African Development Bank (2023), Africa Economic Outlook, Mobilising Private Sector Financing for Climate and Green Growth in Africa