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A Framework for a Win-Win Europe-Africa Energy and Climate Partnership

Center for Energy
& Climate

Marc-Antoine EYL-MAZZEGA

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Ifri

27 rue de la Procession 75740 Paris Cedex 15 – FRANCE

Tel. : +33 (0)1 40 61 60 00 – Fax : +33 (0)1 40 61 60 60

Email: accueil@ifri.org

Website: Ifri.org

Author

Marc-Antoine Eyl-Mazzega joined Ifri's Center for Energy & Climate as a Director in September 2017.

Prior to joining IFRI, he spent six years at the International Energy Agency (IEA), notably as Russia & Sub-Saharan Africa Program Manager where he conducted oil and gas market analyses and was responsible for institutional relations with these countries and regions. He also held various other positions, such as at the Robert Schuman Foundation, where he was in charge of a Ukraine observatory. A French and German national, he holds a Ph.D. from Sciences Po Paris in international relations.

Abstract

North-South tensions are exacerbated at a time of unprecedented turmoil for both Europeans and Africans. European polycrises (geopolitical, energy-related, and economic) echo the systematic vulnerability of Africans, which is reinforced by external shocks. Yet with one difference: while Europeans face severe challenges, they generally remain rich, when most sub-Saharan Africans have often no prospects anymore of getting back on track to meet the Sustainable development goals (SDGs). And climate change is already having devastating effects on populations, territories, infrastructures, and economies.

Following a dialog of the deaf, with rising discontent, tensions, and misunderstandings on both sides, there is now a new phase of discussion, coordination, and cooperation to achieve very concrete, high-impact actions. Europeans and Africans need each other to advance the European energy transition on the one hand and make decisive and rapid progress toward achieving the SDGs on the other. The urgency and issues at stake are such that this opening window to change the dynamics and achieve major and rapid advances should not be missed. Key priorities for action include debt restructuring, reinforcing funding, de-risking investments into SDGs segments, new priorities for the energy and mining sectors, and fostering private investment.

There has been progress on financial and economic issues at recent COPs, and at the June 2023 summit in Paris, calling for a New Global Financial Pact. But Europeans still need to reconsider and consolidate their approach to hydrocarbons, electricity, mining, and biodiversity, taking into account the expectations and needs of the countries concerned. The widespread electrical and energy poverty in sub-Saharan Africa is a mounting factor of instability and now requires a breakthrough and a careful balance between fossil fuels and low-carbon solutions. Would sub-Saharan Africa develop as Europe, Russia, China, or the United States did in the 20th century, all efforts to preserve the planet would be vain.

In the electricity sector, given the immense hurdles that lie ahead, a key issue at stake is to de-risk investments, strengthen concessional finance and target it more effectively. Tools can be put in place quickly. States, for their part, need to strengthen their regulatory frameworks and modernize their national companies. Networks are a weak link and deserve to be supported by international financial institutions.

In the field of hydrocarbons, where major upstream activity is taking place, increasingly to the benefit of resource holding nations, the challenge

is to avoid any new resource curse, to multiply development opportunities, and to minimize social and environmental impacts. Solutions do exist, and all actors must now assume their responsibilities.

The mining sector requires infrastructure of all kinds, as well as the progressive implementation of demanding ESG criteria to protect the environment and workers, while fostering local and national development. Europeans need to mobilize capital, build industrial alliances, help train workforces, and structure win-win projects which create jobs and infrastructure.

In the field of biodiversity, a huge opportunity for action and development is opening up, provided that the integrity of certification mechanisms and governance at the local level are strengthened, involving all stakeholders in a transparent way.

The energy transition envisaged in Europe is in no way transposable to sub-Saharan Africa, where the main challenges concern access to affordable energy and clean cooking, development, youth employment, and adaptation to climate change. A challenge for Europeans is to speed up processes and reinforce the ability to accompany multidimensional projects, and not to be too prescriptive, so as not to lose influence and attractiveness further. The taxonomy, non-financial disclosure rules, or ESG criteria matter of course, but require some flexibility, and to be included in a process or progressive convergence. Priorities should be refocused on rapidly ensuring overall access to clean cooking, which is the mother of all battles and a key to development and environmental preservation. All the required technologies and solutions are available, and Kenya, alongside a few other countries in the region, showcases strong progress. With relatively modest resources, this existential challenge could be decisively addressed. Then comes the issues of transmission and distribution grids, and the wider infrastructure. Against this backdrop, providing public support for hydrogen export projects in the region appears less of a priority for European capitals at this stage.

Finally, the success of the current re-engagement between Europeans and Africans will very much also depend on the European Union's ability to foster the decrease of its greenhouse gas emissions so as to make room for the inevitable rise of emissions in sub-Saharan Africa. Countries in the region need to improve governance and their investment frameworks to foster inclusive, sustainable, and stable economic growth and development, and avoid that all stops soon again. Yet these governments also need to raise the same demands and issues of climate justice to China, Russia, Middle East, or North American countries, which are the world's largest polluters and are less committed than is Europe.

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Introduction

Over the last three years, the African continent has suffered several external shocks: the Covid-19 crisis and its profound economic consequences for the continent from 2020-2021;[1] inflation shocks, particularly for agricultural commodities linked to Russia's invasion of Ukraine in early 2022;[2] and finally the shock of rising interest rates and the collapse of concessional resources since 2022. At the same time, Africa, like other regions of the world, is also experiencing the multiple effects of climate change, including coastal erosion, droughts, as well as low water flows from rivers and dams in particular. These effects are all the more important as many states are in a fragile situation, and are therefore not very effective in responding to these challenges and the needs of the populations affected by them. The number of people displaced by these phenomena continues to rise.[3]

The cascading consequences of the polycrises entail the depreciation or devaluation of local currencies, inflation (driven by all imported goods), and debt reimbursement crises affecting more than 20 countries, notably Zambia, Zimbabwe, Ghana, Tanzania, Ethiopia, Cameroon, Chad, Sudan, and Guinea, and a fallback of public spending due to soaring debt reimbursement costs and weak fiscal resources.[4]

Moreover, SDGs are far from being achieved. Some even seem to be slipping out of reach, like the fight against poverty. The continent's poverty rate did indeed fall from 56% in 1990 to 43% in 2012 and then to 35% in 2019, though given demographic growth, the number of poor people has continued to rise.[5] Yet an even more delicate situation is emerging. At the end of 2022, the World Bank noted: "Sub-Saharan Africa now accounts for 60% of all people in extreme poverty – 389 million, more than any other region. The region's poverty rate is about 35%, the world's highest. To achieve the 2030 poverty goal, each country in the region would need to achieve per-capita GDP growth of 9% per year for the remainder of this

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1. "L'impact macroéconomique du COVID-19 sur l'Afrique : Données d'un modèle macro économétrique agrégé pour l'ensemble de l'Afrique", Series of Working Papers, United Nations Economic Commission for Africa, 2021, available at: www.uneca.org.
2. "Réunion des Ministres africains des finances, de la CEA et du FMI, Présentation sur l'impact de la crise ukrainienne sur l'Afrique", United Nations Economic Commission for Africa, 2021, available at : www.uneca.org.
3. "East Africa and the Horn Light the Way for Climate Migrants," *ISS Today*, Institute for Security Studies, September 2022, available at: www.issafrica.org.
4. S. Harcourt, F. Robertson, "African Debt", Dataone, available at: www.data.one.org; see also: M. de Verbois, "L'Afrique dans le piège de la dette", *Le Monde*, June 20, 2023.
5. "L'Afrique est en train de perdre la bataille contre l'extrême pauvreté", Institute for Security Studies, July 2022, available at: www.issafrica.org.

decade. That's an exceptionally high hurdle for countries whose per-capita GDP growth averaged 1.2 percent in the decade before Covid-19."[6]

The threats posed by malnutrition are resurfacing, particularly in East Africa, which is suffering from recurrent droughts. Regional powers such as Nigeria, South Africa, Egypt and Ethiopia, which are among the continent's leading economies, are in difficulty, and the continent's economic growth is weak, standing at 3.6% in 2023 and 4.2% in 2024.[7] This is very low for a region with a demographic growth rate of 2.5% per year, and insufficient to lift populations out of poverty. To be sure, the trajectories of the 48 countries south of the Sahara vary, with some countries and regions resisting or even progressing much better than others (such as West Africa), all the more so as commodity exporters have benefited from price pressures.

These external shocks have amplified the effects of existing vulnerabilities: the spread of terrorist threats and the gray economy (drugs, arms, fake medicines, protected species, illegal migration channels as well as human trafficking), the weakening of certain states, and structural economic challenges. These include Africa's very low internal trade (which the free trade zone set up at the end of 2021 will not change until cross-border infrastructures are developed), tax collection (16.6% on average compared with over 30% in developed countries), and insufficient local agricultural production. The range of exported products is often highly concentrated around a few commodities, leaving economies highly exposed to market fluctuations in these products. Foreign direct investment (FDI) flows reached a record high in 2021 at 83 billion USD ($), but remain almost nine times lower than flows to emerging Asian countries (they were only 43 billion $ if South Africa is deducted), representing just 5% of the world total.[8] Private investment is also very low, as governments are unable to channel national savings into the economy.

These shocks have also accentuated the "North-South" divide, highlighted by several "non-aligned" African reactions to Russia's invasion of Ukraine. The confrontation between "the West" and China or Russia, in which Africa sees itself as a victim, is also being rejected. These divergences are strongly reflected in the climate negotiations, with Southern countries emphasizing the need for climate justice, multiple transitions and timelines, and access to affordable energy.

6. "Global Progress in Reducing Extreme Poverty Grinds to a Halt", World Bank, October 2022, available at: www.banquemondiale.org.

7. "Regional Economic Outlook, Sub-Saharan Africa: The Big Funding Squeeze," International Monetary Fund, April 2023, available at: www.imf.org.

8. World Investment Report, 2022, available at: www.unctad.org.

Numerous initiatives are underway to remedy this failure, such as the Summit on a New Global Financial Pact held in Paris at the end of June 2023.[9] The latter has accelerated a complex and frustrating decision-making process: debt restructuring (Zambia and, previously, Chad), making available Special Drawing Rights ($100 billion which need to be disbursed); an examination of solutions to de-risk investments, particularly low-carbon investments (the role of the International Energy Agency (IEA) and the International Financial Corporation (IFC)); reforms of the World Bank and the International Monetary Fund (IMF) to adapt to new realities and notably to a majority of countries rated in the "junk" category; flexibility mechanisms in the event of climate crises especially; excessively-high interest rates; loans in dollars that are not easily accessible, etc. However, it should be remembered that not all the announcements made at the previous summit have materialized, indeed far from it.[10] The June 2023 Summit clearly showed that the costs of environmental transformation for African countries remain a problem that has received little attention.[11] For example, given the strong growth in urbanization, huge quantities of cement and steel will be needed, but there is no initiative to ensure that these inputs will be decarbonized via an international subsidy mechanism.

The IMF had already set up the Poverty Reduction and Growth Facility and the World Bank the Resilience and Sustainability Fund, two key instruments for dealing with crises. Within climate governance, various funds to support adaptation and mitigation have been created, but their effectiveness and resources are not commensurate with the needs.[12] Support for regional infrastructure will be stepped up under the aegis of a working group chaired by the Agence française de développement (AFD) and the Abu Dhabi Investment Authority (ADIA).[13]

This note will provide an up-to-date assessment of energy issues in the development of sub-Saharan Africa and discuss the adjustments that are required in the relations between the EU and the sub-Saharan African region.

9. "Sommet pour un nouveau pacte financier mondial, 22 et 23 juin 2023", available at: www.nouveaupactefinancier.org

10. The Summit on Financing African Economies, Paris, May 18, 2021.

11. G. Dufrénot, "Nouveau pacte financier mondial : 'Les coûts de la transition écologique seront démultipliés pour les pays africains'", *Le Monde*, June 27, 2023, available at: www.lemonde.fr.

12. T.Voïta, "Is International Climate Finance Unfair and Inefficient?", *Briefings de l'Ifri*, June 20, 2023, available at: www.ifri.org.

13. "Summit For a New Global Financing Pact: Five Recommendations on Increasing Investment in Sustainable Infrastructure in Emerging and Developing Market'", Agence française de développement, June 22, 2023, available at: www.afd.fr.

Underlying North-South Tensions Are Unacceptable Levels of Energy Poverty and Climate Injustice

Sub-Saharan Africa is a Strategic Giant with a Marginal Energy, Environmental and Economic Footprint

In 2021, Sub-Saharan Africa accounted for 15% of the world's population and will represent 25% in 2050, accounting for half of global population growth between 2020 and 2050. However, its share of global energy demand and generation, and greenhouse gas emissions, is marginal. With a population of 1.2 billion (70% of whom are under 30 years of age), and rising to 2 billion by 2050, 60% of persons live in urban areas, yet more than 600 million people have no access to electricity, and nearly 1 billion are without access to clean cooking. The challenges are staggering. Seen from the continent, the energy transition (a central issue in European politics and public opinion) seems to be out of step with the urgent need of development and adaptation in Africa.

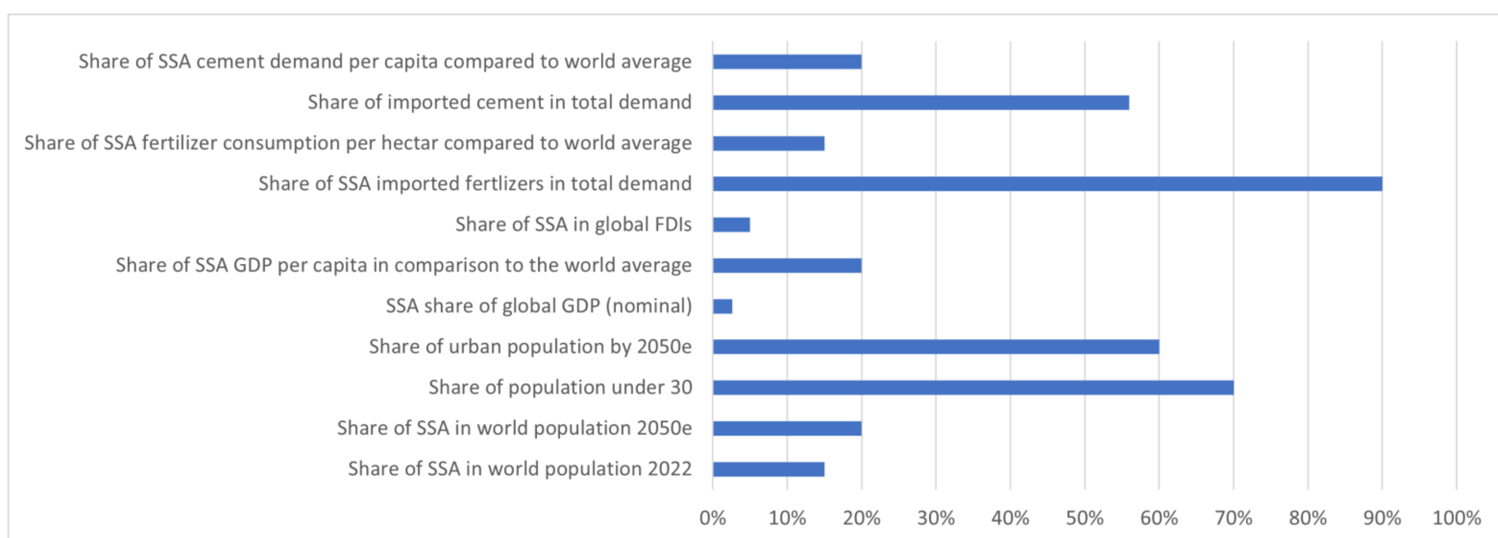
The situation of endemic underdevelopment and exposure to external shocks is very difficult to manage for the countries of sub-Saharan Africa (SSA). Yet in their own way, the data on energy and installations in the region show just how far we have come.

Figure 1. Selected Indicators of the share of Sub-Saharan Africa (SSA) in the global energetic system, 2021

7%
6%
5%
4%
3%
2%
1%
0%

Share of SSA in global primary energy supply
Share of SSA in global CO2 emissions
Share of SSA in global oil demand
Share of SSA in global oil supply
Share of SSA in global coal demand
Share of SSA in global refining capacity
Share of SSA in global gas production
Share of installed electricity generation capacities in SSA compared to world total
Share of electricity consumption per capita compared to world average

Figure 2. Selected Economic and Energy Indicators for Sub-Saharan Africa (SSA), 2021



What People Are Saying and Thinking on Both Sides of the Mediterranean?

Most governments in sub-Saharan Africa are keen to develop all their resources and raw materials (natural gas, oil, wood, even coal, and minerals), both for export and for local use. Increasingly, they are seeking to make use of carbon credits, like from primary forests that absorb gigantic quantities of CO_2, benefiting the whole planet, while also developing agricultural projects, notably those that can produce biochar. Encouraging green hydrogen has also become an objective. They are striving: to develop or strengthen infrastructure, particularly for landlocked countries (such as Uganda, Niger, Rwanda, etc.) or semi-landlocked countries (such as the Democratic Republic of Congo), which face high additional costs to lift their populations out of poverty and access global markets; to improve access to energy and clean cooking (Kenya especially is leading in this field, followed by Senegal, knowing that South Africa has achieved almost universal access in effort driven in the 1990s and 2000s); to protect against climate disruptions; and to develop employment and local value for the millions of young people who enter the job market every year.

As these countries have emitted very little CO_2 since the pre-industrial era, and given their extremely young populations, their official message is clear: polluting states must reduce their emissions more quickly, and pay for the adaptation efforts of African countries. China needs to review its unbalanced lending strategy, and the West must reexamine its legal and democratic conditionalities. Pure and perfect taxonomy is a matter for developed Europeans. The African Union, for example, has clearly stated that gas is a transition energy in its own right and has defined a common position that emphasizes development, an inclusive energy transition, and the diversity of trajectories.[14] Some even consider that the energy and climate models for 2030 and 2050 used to anticipate global trajectories actually intend to keep Africa in a state of underdevelopment (particularly in terms of electricity per capita use), in order to limit its emissions. The parameters used in these Western models are therefore biased, devoting too much importance to renewable energies or mitigation efforts, limiting options, and failing to take account of Africa's specificities, thus being devoid of realism. This would be a way for Westerners to horde far too many emission stocks.[15]

14. "Africa Speaks with Unified Voice as AU Executive Council Adopts African Common Position on Energy Access and Just Energy Transition", African Union, July 22, 2022, available at: www.au.int.org.
15. M. P. Blimpo, "Climate Change and Economic Development in Africa: A Systematic Review of Energy Transition Research", November 2022.

Wherever possible and profitable, low-carbon technologies are already gaining ground and will continue to do so, because they are appropriate, accessible, and competitive (provided they are de-risked). Kenya's ambition is to have 100% renewable energy electricity by deploying 100 GW of capacity, while Senegal's ambition is to increase the share of renewable energy in its electricity system to 40% by 2030, with funding from the *Just Transition Partnership*. In another singular example, Mauritania intends to become a leader in both renewable energies and hydrogen and is attracting numerous investors.

Some African countries are (re)launching hydrocarbon exploration and production campaigns. Export opportunities for hydrogen, derivative products, metals, and other raw materials are attracting a great deal of interest. Their ambitions are now greater, and local/national value chains need to be developed. "Why content ourselves with exporting hydrogen to Germany and not capturing more local added value?" Another demand is now clearly formulated: to turn the page on development aid, perceived as prescriptive, and to build partnerships between equals, that are mutually beneficial, and above all, tangible and quick to implement given the social emergency.

For Europeans, there are several things to consider. While the Mediterranean is a natural, physical border with Africa, the zone of stability and prosperity essential to Europe's southern frontier extends far into the heart of the continent, beyond the Sahel. Bilateral trade with Africa remains unbalanced, with 30% of African exports going to Europe and 30% to Asia. By contrast, only 0.5% of European exports go to Africa, though this represents 31% of the continent's imports.[16] However, the geo-economic and geopolitical importance of Africa for Europeans is heightened by the consequences of climate change (notably in terms of stability, security, and migration), the raw materials of the energy and digital transitions, and geopolitical confrontations. Accelerating Europe's energy transition requires more investment and interdependence with many African countries, concerning ports and export terminals, electrical and digital cables, mines, rail, road, and electrical infrastructure, as well as energy flows.

Yet we are witnessing the gradual erosion of Europe's position on the continent, and growing misunderstandings. Europeans were the main partners to mobilize effectively during the Covid-19 pandemic on vaccines while freezing public debt repayments. With Turkish support and via the United Nations, they also obtained an agreement on the export of Black Sea cereals. Yet, they have been surprised by the positions of certain African countries on Russia's invasion of Ukraine.

16. "Report on the Future of EU-Africa Trade Relations", plenary, European Parliament, June 2022, available at: www.europa.eu.

They have also been shocked that Russia's false narrative over food and energy tensions caused by Western sanctions could so easily take hold. And Europeans have been unable to counter it effectively. One illustration of these difficulties is the significant development of anti-French sentiment in French-speaking Africa, and the cheering of Russians in towns in Mali and the Central African Republic after the departure of French and regional forces.[17] Finally, the debt accumulation of certain countries towards China shows both the imperative of working with China (which was involved in the Paris summit on the new financial pact), and of offering alternatives, when the "benefits" of partnerships with China are not always forthcoming. It should also be noted that, in addition to China, foreign currency bond issues by African countries (notably in Eurobonds) have been the biggest contributors to indebtedness.[18]

The Europe-Africa relationship is therefore a delicate one. Many African countries take offense at Europe's economic taxonomy (particularly on gas and oil, and even nuclear power), while some governments maintain close relations with China and Russia, denouncing the imperialism of values linked to LGBT+ rights and democratic conditionalities, and accusing Europeans of duplicity and double standards (as on coal) or bureaucratic red tape (particularly in comparison with Chinese players). Most worrying for Europeans is that governance in some countries shows no sign of improvement, or is even in serious decline (as witnessed by coups, the issue of "third mandates" (now clarified in the case of Senegal) or "dynastic successions"), at a time when investments are urgently needed and climate threats are very real. Large-scale disbursements from major funds must not give rise to misappropriations, as these could undermine the very idea of North-South solidarity, which is so essential.

Europeans are sometimes obsessed with controlling migratory flows, especially in the context of the upcoming elections, and seek bilateral agreements with North African countries to secure borders within the Frontex framework. Yet the fact remains that Europe has an aging population. The need for skilled labor, particularly for the energy transition, is great, and bridges will inevitably have to be built between Africa and Europe, if only to help train the skilled labor that Africa also needs. Supporting efforts to create millions of jobs in Africa as quickly as possible should be a European security priority.

A final observation for Europeans: continued access to their market is attractive, but can be a source of tension. European norms and standards, particularly in environmental, social, and governance (ESG) terms and

17. A. Antil, T. Vircoulon, "Thématiques, acteurs et fonctions du discours anti-français en Afrique francophone", Études de l'Ifri, June 14, 2023, available at: www.ifri.org.

18. "Eurobond ou eurobomb : jusqu'où iront les spreads ?", Financial Afrik, mai 2023, available at : www.financialafrik.com.

extra-financial reporting (the Corporate Sustainability Reporting Directive or CSRD), can be perceived as intrusive or discriminating. There is, of course, also the question of resources: Europeans cannot be credible or influential as long as Africa accounts for only 3% of global climate finance, which is clearly, grossly insufficient,[19] and as long as Europeans do not decarbonize faster by implementing their commitments, particularly those contained in the *Fit for 55* package. Bilateral development aid from OECD members was down by 7.8% to €29 billion in 2022, but remains considerable. Given the constraints associated with funding the war in Ukraine, and Ukraine's reconstruction, we now need to think about how we can be more effective with slightly fewer resources. This is an opportunity we have to seize. In the new geopolitical and geo-economic context, the old approaches based on laissez-faire, pressure, sanctions, patronage, development aid and conditionality all now seem counter-productive. Europeans have begun to change their strategy, notably through trade agreements, infrastructure support (*Global Gateways*), *Just Energy Transition Partnerships* (for the closure of coal-fired power plants), bilateral raw material partnerships, investment and access to capital, and they are making progress in taking full account of local needs and constraints.

19. T. Voïta, "Is International Climate Finance Unfair and Inefficient?'", *Briefings de l'Ifri,* Ifri, June 20, 2023, available at: www.ifri.org.

The Challenges of a New Approach to Energy and the Environment

Four issues are at the heart of energy transformations and North-South tensions and should be given priority in an external Green Deal strategy by the EU that has yet to be consolidated and systematically implemented.

Hydrocarbons: No Boom in Oil, but Rise in Gas

New oil projects in sub-Saharan Africa can help slow the decline in the continent's production, from 9.7 million barrels per day (mb/d) in 2012 to around 7 mb/d expected in 2023. This is less than 8% of the world's total, and in 2015-2002, many producers were plunged into crisis by falling prices.[20] New producers and exporters include Mozambique (with offshore liquefied natural gas (LNG)), Tanzania (LNG), Namibia (oil and gas), South Africa (potentially offshore oil and gas), Senegal and Mauritania (offshore LNG to start by the end of the year), Côte d'Ivoire (oil and gas), Democratic Republic of Congo (oil and gas), Congo-Brazzaville (LNG) and Uganda (oil). Four preliminary observations can be made:

- There will be no big rise in oil output from sub-Saharan Africa: new oil projects are expected to boost production by 1 million barrel per day (1mb/d) over the next few years and by 2.5 mb/d during the 2030s. This is less than the levels of the 2000s, and little more than 10-15% of total global exploration and production (E&P) investment. Nevertheless, gas production and exports will grow significantly, with production rising from 255 billion cubic meters (bcm) in 2022 (0.6% of world production) to a potential 340 bcm in 2030, requiring between $15 billion and $20 billion in investments per year, on average.[21] While there is no boom, there is definitely a race: governments are now urging players to move as quickly as possible to launch projects and benefit from them.

20. B. Augé, "Conséquences économiques et politiques de la chute de la production pétrolière en Afrique subsaharienne à l'horizon 2030", *Études de l'Ifri*, June, 2021, available at: www.ifri.org.
21. "The State of African Energy 2023 Outlook", Rystad, available at: www.energychamber.org.

- The oil & gas sector (alongside the mining sector) has so far accounted for the bulk of FDI in the region ($37 billion are expected for 2023). The European majors, which have traditionally been very present, are now acting to further strengthen local content. Budgets may generate hundreds of millions or even, in some cases, billions of dollars of local contracts per project. They are also striving to reduce their environmental footprint, and to strengthen social and economic development in the regions where they operate, for three reasons: societal acceptability, the need for an efficient (and competitive) local subcontracting environment, and due to the demands of local authorities. For the first time, a growing proportion of resources is destined for local markets, where power plants and industries will be fueled by gas, thus doing away with coal and diesel generators. Power through grids will also be reinforced by renewable energy sources. The same applies to oil, where producers want to build refineries to capture more value and avoid importing refined products (such as in Nigeria or Uganda). "Traditional" sticking points remain, such as the local tax burdens, or the requirement to use local partners close to national decision-makers.
- While it is becoming increasingly difficult to finance oil and coal projects, gas financing is still possible, but is becoming more and more constrained for European banks. For Asian, American and Middle Eastern or South African banks, there are few or no barriers.
- However, the listed European majors, which are held to account for their activities, are no longer in a dominant position, providing only 31% of investments. They have been overtaken by national companies, certain Asian companies that do not operate according to the same ESG criteria and IFC standards, and smaller players that are less accountable, if at all. The American majors have divested, while Indian and Chinese players are waiting in the wings. When a European major sells its shares or stakes, it is usually to smaller players. They are sometimes virtuous but are obviously less scrutinized and less exposed politically.
- Resource-rich states are determined to develop their resources at all costs, as these are often the only source of access to capital and income on world markets (in the case of exports), and are therefore, in principle, a tool for development. Admittedly, governance in some countries is not pluralist, or may even be authoritarian. But a clear trend is emerging in the desire to break with the resource curse and avoid duplicating the mistakes made by certain producers in the Gulf of Guinea in particular. In this way, the Extractive Industries Transparency Initiative (EITI) has succeeded in developing constructive cooperation with private companies, governments and

> civil society in West Africa, notably in Mauritania and Senegal. Meanwhile, the IEA has been invited to carry out country studies in Uganda and Senegal to set up long-term strategies, and Senegal and Kenya have just joined the IEA as Associate countries, alongside South Africa, Morocco and Egypt. It remains to be seen whether such technical support is followed up, consolidated or forgotten. But there is an opportunity.

So, should the answer be to oppose the development of these hydrocarbons and promote alternatives? As everywhere else in the world, scientific data runs up against inertia, or in this case, underdevelopment. Blocking hydrocarbons is contrary to the wishes of African governments, and unrealistic given the development challenges, along with the insufficient pace of transition in the OECD countries or China. Instead, the focus should be on: sequencing and the mix between hydrocarbons and low-carbon solutions, using the former to accelerate the latter; seeking to participate in the financing of projects in order to influence them, thus guaranteeing a commitment to EITI and ESG criteria, while integrating them into a broader plan for sustainable development; workforce training; infrastructure financing; and, above all, the deployment of renewable energy sources and value chain building blocks that create jobs which cannot be relocated. Finally, guaranteeing a very high level of verification, control, and integrity in the management of methane leaks is a fundamental challenge for both old and new hydrocarbon producers. This needs to be done in coordination with international initiatives on this crucial issue for limiting global warming.

The challenge is to build a framework that can be used as a springboard to deploy a range of energy solutions and start a virtuous circle of development. Rejecting hydrocarbons without a credible, effective alternative is doomed to failure and lead to a loss of credibility, while preventing their exploitation means depriving ourselves (as Europeans) of an opportunity to be heard. A fundamental question cannot have a clear-cut answer: Should Europeans, through their banks, insurance funds and companies, abandon the hydrocarbon sector in these countries, even if it means cutting themselves off from these nations in favor of other actors from emerging countries that are often less rigorous and scrupulous? From a European perspective, it would be naïve to believe that these projects won't go ahead and that low-carbon alternatives can replace them. Viewed from Africa, wanting to ban hydrocarbons is a neo-colonial posture that consists in depriving states of one of the few possible sources of revenue that can be rapidly mobilized. And working with European actors is seen as a guarantee of quality and as an asset, in countries' positioning and their development. It is a way of responding to the urgencies and constraints of underdevelopment. The issue therefore should be how to support these countries in leveraging the benefits of hydrocarbons, limiting their role in terms of volume and time, and accelerating the development of

complementary low-carbon systems that would meet local expectations and environmental constraints. Market forces will then be such that low-carbon solutions will *ultimately* predominate, as tax revenues consolidate with economic growth.

This implies that banks, utilities, and other majors can continue to be active on both fronts and be part of a clear overall strategy that enables development, access to sustainable, safe, and affordable energy, as well as transparency and good governance. This also means that local governments must assume their responsibilities: the situation is too serious to risk slipping back into the resource curse.

Development of Electrical Sectors

Population growth that often outstrips improvements in the rate of access to electricity is a structural challenge for much of sub-Saharan Africa. More than 600 million sub-Saharan Africans still have no access to electricity, and where there is access, it is often inadequate. Nearly 1 billion people have no access to clean cooking, that is 80% of the population, leading to gender inequality, environmental destruction, premature death, and underdevelopment. There have been countless strategies and plans to accelerate electrification, calculations of the investment required to achieve this ($250 billion), and disillusioned commentaries. Here too, a few observations are in order:

- South Africa, Rwanda, Ghana, Kenya, Côte d'Ivoire, and Senegal are all making significant progress in the field of energy access and clean cooking, so it is possible to achieve breakthroughs when there is political will and strategic support.
- It is possible to break the vicious circle of publicly-owned, indebted utility companies no longer providing maintenance, wealthy customers who do not pay for poor services and who turn away from the network, and governments that siphon off resources from national companies, which consequently charge very high rates that turn even more customers away, etc. Ultimately, this vicious circle has led international financial institutions (IFIs) to recommend imperatively restructuring and privatization.
- Hybrid systems are being deployed, particularly in cities, combining decentralized (solar panels, generators) and centralized systems. In Nigeria, the capacity of private generators is estimated at 85 GW, compared to only 10 GW available intermittently on the grid.[22]

22. H. Le Picard, "Nouveau paradigme de l'électrification en Afrique subsaharienne. Comment les systèmes hybrides décentralisés changent-ils la donne ?", *Notes de l'Ifri*, September 23, 2022, available at: www.ifri.org.

Generally speaking, decentralized units now deploy more capacity than centralized generation sources.

- The private sector wants to invest, with telecom firms using mobile and pay-as-you-go systems, offering solar kits, mini-credits, etc. and wanting to invest in corporate power purchase agreements (PPAs), while providing grid-connected, utility-scale solar power plants. The main problems are: the costs of risk and insurance, the absence of land registries, delays in processing credit applications, competition with other development projects on offer, the maintenance of decentralized systems, and the costs of mini-grids, etc.
- Electricity demand in the region is set to rise sharply, and coal-fired power plants or diesel generators should by no means provide the answer.

A few adjustments could lead to major advances. The first concerns priorities: households should be massively equipped with clean cooking solutions, such as Liquefied petroleum gas (LPG), bioethanol or high-pressure electric cookers. This is the cheapest and most effective way of stepping up development and reducing environmental destruction. Solutions exist and have already been implemented, for example in Kenya.[23]

The second challenge is to de-risk low-carbon projects, which are an absolute priority. This is where the IFIs should come in, such as the European Investment Bank (EIB), the African Development Bank (ADB), regional banks and national development banks. By providing guarantees for hundreds of private-sector projects, ideally clustered at regional levels, these institutions can ensure that projects are financed more easily and progress more rapidly. This will require a change in the prudential rules governing lenders. They must be able to commit more heavily to countries with low ratings, in sectors key to Sustainable Development Goals (SDGs), especially as most of the risks are not proven. These risks account for capital cost disparities that vary by a factor of 6, for example for an equivalent solar project in Europe or Africa. Risks linked to exchange rate fluctuations are also overestimated, leading to prohibitive insurance costs.[24] Local players can also play a role through green bond issues, following the example of the West African Development Bank (BOAD), whose green bond issues have been a great success, while the few projects in the energy sector, and infrastructure in general, have hardly experienced failure. But this means raising tens of billions of dollars – not just hundreds of millions –

23. C. Philibert, "Power to the Cooks! New Clean Cooking Opportunities for Sustainable Development in Sub-Saharan Africa", *Briefings de l'Ifri*, February 1, 2022, available at: www.ifri.org.

24. A.Persaud, "How to Unblock Green Investment in Developing Countries", Context, 19 juin 2023, available at: www.context.news.

along with changing the prudential rules of the current financial system and creating a guaranteed mechanism against currency risk.

The third challenge involves modernizing public utilities. This is not a question of restructuring, carving up or privatizing them, but of improving their independence, transparency, and governance, and enabling them to access credit to invest and break out of their negative spiral.

Another challenge is the integration of regional power systems and support for networks, which is now a central issue for funding institutions.

Last but not least: the phase-out of coal in South Africa may well take longer than expected, given the crisis in South Africa and the societal and geographical issues involved (90,000 people are employed in coal-related jobs, while a third of workers is unemployed). Europeans may certainly deplore the poor governance of the sector and its criminalization. Yet we need to push forward as much as possible with the Just Energy Transition Partnerships, which remain useful and unique but need to be backed up by concrete achievements. And above all, Europe must speed up the closure of its coal-fired power plants.

The Extraction of Raw Materials

Mines in Africa are the subject of both fascination and consternation, in the face of alleged widespread Chinese control, working conditions sometimes described as slave-like, and suspicions of corruption. It is clear that energy transitions will be metal-intensive, that the African continent is richly endowed in such metals, and that current mines in operation have very diverse profiles in terms of their ESG footprint. Again, a few observations can be made:

- Mining is an extremely capital-intensive and high-risk business. In addition to the mine site, the entire infrastructure around the mine needs to be built, including electricity, water pumping and treatment, and above all, the infrastructure for ore evacuation (roads, railways, pipelines, and deep-water ports etc.). Projects take years to develop and generate no cash flow in the meantime, whereas the political and regulatory risks are very high, with mining codes and tax frameworks being highly unstable. The volatility of commodities adds to the complexity of this picture. In addition to the challenge of production, there is the issue of separation and refining, which is very energy-intensive and has an impact on the environment. China has specialized in this highly strategic segment, both for its own extraction and for the processing of Australian iron ore, for example, or African and American nickel and cobalt.
- Western actors are few and less well-equipped to deal with Chinese competitors who have the direct or indirect support of their government. But the formers' advantage may lie in their ability to

implement a stricter and more credible ESG agenda (such as the OECD standards), covering all three criteria.

- If there is no such thing as a clean mine, mining activities can minimize their environmental footprint, for example by electrifying equipment with solar power, using green hydrogen or batteries for trucks, compensating for the destruction of biodiversity on site, reducing water consumption, and reprocessing water.

For Europeans, staying in the metals race against China's state-owned giants requires a three-pronged approach. Firstly, ESG criteria are needed across all value chains, and the Minerals Security Partnership makes sense. This is a win-win situation for the resource-holding country and the importer. But it must be done with a clear understanding of partners' expectations and opportunities, and the fact this needs to be part of a process. Then, there is the massive contribution of competitive capital, via export credits, loans, or subsidies. Finally, there is the question of diplomatic support and the creation of partnerships between European and local mining companies. An opportunity must be created to this end via a European mining fund, or a bilateral one, for example, if the EIB cannot be mobilized further due to taxonomy constraints (which does not mention mining activities and include a restrictive "do not significantly harm" clause).

The Environment and Biodiversity

The African continent is endowed with immense environmental riches that provide exceptional climate services, like oceans, mangroves, and primary forests, for example. Unfortunately, these are often at risk. There has been a surge of interest in nature-based solutions, notably via carbon credits on voluntary markets (presently estimated at €2 billion a year worldwide, and on an upward trend). The EU aims to be a pioneer in the fight against illegal and imported deforestation. A voluntary market for biodiversity-positive credits or certificates could be further developed. And some African countries do indeed intend to be paid for preserving their forest resources, for example.

Preliminary findings on this are as follows:

- Voluntary carbon markets are not perfectly established, solid, and integer, and this segment has yet to be further structured. It nonetheless remains essential if we are to achieve carbon neutrality, and sources of biodiversity in the South need money. This is a good way for restoring degraded ecosystems in particular, bearing in mind that investment needs in biodiversity are very high (approximately by a factor of 8 compared to existing levels).
- To resort to a cliché, however, it is unacceptable that a reforestation credit at €10 per tonne can be used to offset greenhouse gas

emissions in Northern countries, especially if there is no indication that the offset is legitimate or based on the idea that future deforestation has been avoided. That said, certification and control systems must and will be perfected, and demand is very strong. Integrity and confidence in these certification systems are being strengthened, notably under the aegis of the Voluntary Carbon Markets Integrity Initiative.

- It is in the interest of all countries to make reasonable and sustainable use of their forests and biodiversity reserves, which create jobs and value-added, provided this is done scientifically, thus enhancing their environmental and climate services to the planet. Gabon is often cited as an example of good practice in this area, particularly in terms of certification and taxation. Conversely, other states are characterized by high levels of illegal and often criminal deforestation, either due to the state's inability to act or its complicity, which can now be observed directly thanks to satellite technology.[25]
- Biodiversity-positive certificates have been put forward as being more appropriate, as the idea of a global market does not seem pertinent for very local development issues.
- The production of sustainable, certified biofuels is also booming in some countries.

Forests and oceans as common public goods need to be considered as strategic, not only for the preservation of the planet, but also for local, responsible, and mutually supportive development. For Europeans and Africans, this is a question of strengthening public and private efforts concerning these resources, sharing best practices, controls, and verifications, having access to funds to invest in sustainable exploitation, and acting credibly and responsibly to reinforce certification mechanisms.

25. A. Karsenty, "Géopolitique des forêts du monde : quelles stratégies de lutte contre la déforestation ?", *Études de l'Ifri*, June 30, 2021, available at: www.ifri.org.

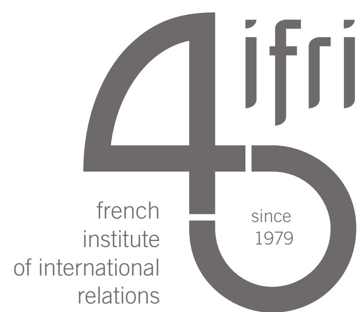
Outlook

North-South tensions have one great merit: they have forced Europeans and Africans to engage in greater dialogue and to recognize their obvious complementarities. Yet these complementarities can only be transformed into mutually beneficial relationships through changed, more balanced relations focused on development, employment, and infrastructure, all intended to achieve concrete results.

Europeans henceforth understand the need to re-engage with the continent on which they are increasingly dependent, and which offers tremendous opportunities. And their African partners can recognize that, over and above the diversification of relations with other powers and regions from which they benefit, the European Union and its Member States can still provide the structuring, long-term partnership projects they need. Certain conditions and frameworks for these projects – notably transparency and the rule of law – are legitimate, because they reduce risk and strengthen trust. There is no African exception to the fact that capital can be de-risked by certain reforms, but investment frameworks remain paramount. The challenge is to eliminate the risks associated with an inadequate financial system.[26] But it is up to local governments to work effectively to improve legal and regulatory frameworks.

Four opportunities deserve to be grasped: i) hydrocarbons as a development booster; ii) the acceleration of access to electricity and clean cooking; iii) sustainable and responsible mining activities and infrastructures; and finally, iv) carbon markets and environmental protection. For Europe and Africa, this window of opportunity needs to be seized resolutely on both sides, as it can also close quickly, given the extent to which crises are now taking over agendas.

26. "Ruto Sustains the Push For a New Order in Global Finance During Paris Climate Summit", Nation, June 24, 2023, available at: www.nation.africa.



27 rue de la Procession 75740 Paris Cedex 15 – France

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