

SUMMARY NOTE

AEF Strategy Group meeting on Sustainable Energy

5th April 2023

The AEF Strategy Group on Sustainable Energy reflected on the latest state-of-play, from an African and European perspective, and explored underlying issues within the energy sector to date, synergies and complementarities between the strategies and priorities of each continent, as well as key areas and activities that should underpin cooperation between the two continents. The past 12 months have seen considerable turmoil in global energy markets, and the year ahead will be critical for climate and energy, anchored by the mid-term review of SDGs, the COP28 global stocktake, and a clear call for reform of the global financial architecture.

The AEF Strategy Group on Sustainable Energy called for the Africa-Europe Energy Partnership to harness the potential of cross-continental collaboration, at multiple levels, to accelerate Africa's energy access and industrialisation, and Europe's energy transition and rapid decarbonisation. These two energy transformations need to advance in parallel and linked manner, to deliver human development and economic opportunities, and re-equilibrate the two continents' relationship in the interests of energy security, sovereignty and strategic autonomy.

Observations.

(1) **External shocks (climate, conflict, Covid, cost of living) over the past few years have had an exacerbating impact on the Africa-Europe energy situation, which has heightened the risks of unviable cooperation.** Consequences include hyper-inflation and rising poverty, including energy poverty and insecurity for both Africa and Europe. Much of the progress achieved in recent years towards SDG7 and the 2030 Agenda in Africa has been stalled and partially reversed.

Last year, IEA reported a 4% increase in the Sub-Saharan African population without access to electricity. Achieving universal access to energy requires building 90 million connections per year, while for universal clean cooking, access would need to be provided to 130 million people per year.

- a. This situation is worsened by the high level of indebtedness of African economies, devaluation of local currencies, and much higher borrowing costs.
- b. Ongoing political changes and conflict on the African continent bring further insecurity regarding the course of achieving universal energy access by 2030, as well as investment to fast-track any forms of energy transformation.
- c. Additionally, geo-economic and political pressures have surged, constraining African agency and destabilising EU's climate policies. Tensions in Africa are being exploited. According to the IEA, 40% of gas discoveries in the last 15 years occurred on the continent – provoking what is described as a "new scramble for Africa". The scramble for critical minerals (which are necessary for the global energy transition and which are in short supply overall) is becoming even more perilous. Several African countries have recently announced lithium and graphite discoveries. Given the fragmentation of globalisation, and multipolarity of today's world, foreign countries (including European) are competing to obtain exploitation deals in search of strategic autonomy.

- d. In Europe, while the REPowerEU initiative is hastening renewable energy generation and efficiency measures, the EU has also sought to replace Russian gas with African sources (including green hydrogen), thus shifting the nature of the EU's engagement with Africa and the anticipated objectives of the Africa-EU Green Energy Initiative (AEGEI).

Overall, this situation is resulting in a deleterious mismatch in the energy transformation of the two continents (Africa: Access & Industrialisation vs. Europe: Security and Decarbonisation). While 2022 was a record-high for new renewable energy generation capacity globally, 2021 was an 11-year low for establishing new generation capacity in Africa. Furthermore, Africa is receiving only a very low share of investments in renewable energy capacity (equivalent to only 2% of global investments). Therefore, it appears that speeding up the global energy transition, for which the EU is a strong advocate, is currently excluding the African continent, whilst it is the region that requires the most investment, has the largest capacity to produce, and where the greatest benefits can be achieved (in terms of access, industrialisation, global decarbonisation, international trade).

- (2) In this context, two decisive questions must be addressed by the Africa-Europe energy partnership.
 - a. **Are Africa's energy partnerships genuinely beneficial – in other words, sustained over time, expanding prosperity, transformative and at sufficient scale**, as opposed to token investments that perpetuate Africa's energy situation?
 - b. **How has the business case for renewable energy changed** in 2023 on the African continent, and how does that affect political and financial decision-making?
- (3) **Slow progress with Just Energy Transition Partnerships (JETPs) in South Africa and Senegal have crystallised the disappointment felt by many, in contrast to the great expectations held for the Africa-Europe Energy Partnership. This perception of a big gap between promise and delivery persists, despite the commitments made at COP26, the 2022 AU-EU Summit scheme for transformative and scaled-up energy cooperation, and the reiteration of engagement at COP27.**
 - a. The 2022 AU-EU Summit had raised hopes for a transformative, scaled-up, and prosperity-inducing energy partnership between the two continents. One of its six focus areas was on Africa's energy transition for industrialisation and towards climate neutrality. The Global Gateway Africa – Europe Investment Package (via its Africa-EU Green Energy Initiative – AEGEI) heralds support to increase Africa's renewable energy generation capacity to 300 GW by 2030, with the provision of €2.4bn for Sub-Saharan Africa (SSA) and €1bn for North Africa by 2024.
 - b. The objectives of the AU-EU energy partnership include regional electricity interconnections and market integration, energy transition partnerships, clean hydrogen production in Africa and import of such green hydrogen to Europe for the decarbonisation of its intensive industries (as indicated in the REPowerEU initiative, which claims that by 2030, 10M tonnes of green hydrogen will be imported to the EU from partners countries, including the continent of Africa).
 - c. A recent report by the Africa-EU Energy Partnership (AEEP) concludes that, if the current trend in growth of EU investment continues, the funding necessary to achieve SDG7 would be met in 2034, rather than 2030.

- d. Accordingly, the EIB has increased its activities on the African continent by 40% over the past year. Notwithstanding the changing context, the EIB has not relinquished its commitment not to finance fossil fuel infrastructure projects. Green hydrogen, just transition programmes, and cross-dimensional energy projects are emerging at the top of the EIB's agenda.
- e. Nevertheless, the SG noted disappointment caused by the lack of progress made by the JETP with South Africa, and the lack of momentum following the announcement of more such JETPs with other African countries, including Senegal. This cast doubt on the transformative nature of these Partnerships, and of the ambition behind the Africa-Europe energy partnership. The SG observed that the Partners Group (which includes G7 members) seems to focus only on those few countries with large and increasing emissions. However, given the UN Agenda 2030's central, transformative promise to 'Leave No One Behind', it is important to widen this scope, in order to address universal energy access and sustainable development in a just manner by engagement with least developed countries.
- f. Furthermore, JETPs have made slow progress by underdelivering on the alignment of funds, and procurement processes with national energy plans. Such plans need to be designed in a multi-stakeholder and inclusive approach, that espouses local expertise, and that are country-owned. Indeed, the SG noted that South African organisations claim that the country's energy system transformation strategy is not considered in its entirety by the donors and that conditionalities are applied too late in the process, thus hampering the scale of system change demanded.
- g. Correspondingly, while the JETP with Senegal is taking shape, it requires close coordination by the Senegalese government regarding their broad energy transition plans. These plans cannot include the exploitation of gas reserves, if the EIB is to provide funding.
- h. Given the ramifications of today's geopolitical order, the political and economic context vis-à-vis the Russian war in Ukraine is slowing progress with the JETPs.

(4) **The SG found that bottlenecks to the ramping up of energy access and renewable energy include:** access to finance, WTO rules on protectionism, national electricity tariffs that do not reflect real prices, access to local currency investment funds, reliability of off-takers, fragile political situation, lack of information about the contribution of renewables to economic development and industrialisation, and insufficient business cases.

- a. The SG identified a key gap for the energy transition in infrastructure for connectivity. The technology to transport renewably produced energy to other countries is also lacking. Greater impetus should be given to building on EU's expertise with its Single Electricity Market and capacity for regional integration to accelerate the aspirations and progress of AfSEM, starting at regional economic community (RECs) levels. On this matter, the SG noted with interest that the EIB promotes energy transmission and distribution on the African continent at regional levels (West, East, and South), by leveraging Global Gateway infrastructure projects. The EIB builds transmission power lines, supports African power pools and their connectivity.
- b. Given more than 12 months have passed since the 6th AU-EU summit, it is time to take a step back, and understand that priority must be given to listening to EU's partners. The EU should reflect on what it can bring, its added value and its offer to

Africa. Cooperation with Africa as a continent, and all emerging and developing countries needs to be demand-driven. The EU needs to be listening to partners and must avoid being top-down, to 'rebuild' trust and truly revise its partnership, as announced at the time of the 6th AU-EU summit in February 2022.

- c. It is also time to reflect on EU's strengths and added value, as advanced by the AU at the 36th Leaders' Summit. The current focus on hard infrastructure needs to be balanced with social components where the EU excels, including working towards constructing a greater enabling environment, with the right policies, regulation, institutional frameworks, as well as improved social protection and regional integration.
- d. The 6th African-Union – European-Union (AU-EU summit) held in February 2022 provided a valuable opportunity to recast the cross-continental relationship, repurpose it and get away from a donor-client relationship focused on development aid alone. However, there remains a need for the EU offer to be recalibrated and defined together with its partners, to design a meaningful set of actions that can contribute to resilient and sustained investment in partner countries.
- e. A major impediment to Africa's energy transition is the current disincentive for the local private sector to invest in electricity generation. This is because energy tariffs do not necessarily reflect internal energy markets and the cost of generation, due to the state's role in setting electricity prices. Today's electricity produced from renewables is perceived as too expensive by consumers whilst, in reality, the use of subsidies for fossil fuels and the lack of transparency in the operation of electricity utilities actually demonstrate the opposite. Access to data and latest energy trends could unpack such narratives that impede the clean energy 'revolution' to be fast-tracked.

- (5) **The SG noted that the new geo-economic and political context has made African governments more cautious and therefore keen to ensure energy security and sovereignty.** They are weighing up the integration of national renewable energy systems within a broader regional power pool against a focus on their own energy resources, including fossil, to achieve their transition plans.

The SG heard that African governments are on-board with the energy transition, but the level of finance to be mobilized for transition plans and renewables from the international community remains a key bottleneck. Consequently, African governments are turning to Europe for delivering climate finance (including concessional finance), technical expertise and technologies to make this a reality. Otherwise, there is a growing risk for Africa to be unable to finance its transition plans, and diversification strategies, and thus lead to continued depletion of African forests for firewood and charcoal for cooking. Even existing renewable energy sources, such as hydropower, are becoming less reliable and affordable in certain parts of Africa due to climate change, and require massive grid (distribution and transmission) and storage investments.

- (6) The SG warned of the slow uptake in the renewable energy public and private sector in many African countries, and the role of private-public finance blending. To date, 22 African countries already use renewables as their primary source of electricity and the African



continent as a whole uses renewables for 40.5% of their electricity generation. Interestingly, the rate of solar growth between 2009 and 2019 in Africa (+60.0%) has been over twice as fast as in the EU (+24.0%). This data reveals that while Africa could achieve great renewable energy generation, the energy gap remains enormous, as 600 and 900 million African still lack access to energy and clean cooking solutions.

New trends associated with such renewable energy uptake include the fact that Europe has already identified several promising partnerships with Namibia, Mauritania, Morocco and Mozambique on green hydrogen generation, which could make a significant addition to the renewable energy mix of both Africa and Europe. It also includes building sustainable raw material value chains that make sense for both Europe and Africa, and ultimately should enable Africa to produce green steel, cement, ammonia and fertilizers.

Building on recent developments, the two continents have the opportunity to work jointly to identify feasible energy pathways and the finance required to transition towards a just and equitable future in a way which is compatible with global climate goals.

The last few months have also seen the emergence of a number of Africa-led initiatives, including for seizing the carbon market opportunity (ACMI), renewable energy manufacturing (AREMI), as well as the Alliance for Green Infrastructure in Africa (AGIA) among others. And there is renewed momentum for the Presidential Infrastructure Champion Initiative (PICI), the AU Continental Business Network (CBN), and the implementation of the African Continental Free Trade Area (AfCFTA). At the 36th AU Summit (February 2023), the AU adopted the theme for 2023 as the "Year of AfCFTA: Acceleration of the AfCFTA". Europe could play a valuable role in supporting such acceleration. Reinforcing the energy partnership means more policy coherence and coordination between the EU and Africa to realise Africa's aspirations.

- (7) **The SG took note of the perception that the EU is "returning to coal"**. There is the belief that Europe is shifting back to coal, because of short-term re-starting of coal-fired power stations, thus undermining progress towards the net-zero emissions goals. And it remains the case that beyond the 'emergency measures' taken by the EU in the context of the Russian war in Ukraine, some EU countries are still highly dependent on fossil fuels to power their daily lives and national economies.

There is an urgent need to repair the EU relationship with Africa. Over recent years, the state of relations with many countries in Africa has worsened. The EU is facing an accumulation of frustration based on past colonial histories, double standards, and the 'Covid apartheid'. All of these seriously knocked the relationship. Such frustration was further re-activated by Russian and Chinese narratives following the invasion of Ukraine, and reinforced today with the EU being accused of "green imperialism".

A number of EU policies are creating antagonism in Africa, including the latest Carbon Border Adjustment Mechanism (CBAM), the deforestation-free products directive, the latest policies on pesticides and neonicotinoids, as well as the corporate sustainability due diligence directive. The EU is right to green its trade relationship with the rest of the world,



but it cannot do this without re-inserting the development dimension into the trade and climate nexus. There is a need to re-triangulate development, climate and trade.

- (8) **The SG underlined the opportunity for better alignment of Africa and Europe's climate negotiating positions** relative to the UNFCCC process, and other international arenas, including calls to reform the global governance system.

To make it happen, it is more important than ever to use international forums and platforms to bring voices together, to understand each other's priorities and act at different multi-stakeholder levels, ensuring countries and actors that intervene at country/regional levels act in a coordinated manner, understand the purpose of various initiatives so that they deliver, including the EU-Africa Global Gateway, the UN 2030 Agenda, and the Africa 2063 Agenda.

Given how fragmented the world has become, 2023 is foreseen to be a pivotal year for recalibrating and enhancing the Africa-Europe partnership at cross-continental and international levels. There are clear calls for reform of the global financial architecture, such as at the Macron/Mottley Summit in Paris, the Africa Climate Action Summit in Kenya, the COP28 Global Stocktake (GST) and subsequent revision of Nationally Determined Contributions (NDCs), and the mid-term review of 2030 Sustainable Development Goals (SDGs).

As such, 2023 represents a significant milestone towards building a close energy and climate partnership between Africa and Europe. However, there is an urgent need to address the mismatch between, on the one hand, the promises made by governments at summits, ministerial meetings, and climate COPs, and on the other, evidence of delivery of such commitments. This mismatch has generated an impression of the Africa-Europe partnership 'almost getting there but always losing momentum'.

Despite being at very different stages in their transitions, the two continents can support each other by working together, notably on issues related to investment climate, secure access to critical minerals, building a just and equitable energy future. Both sides could benefit from the combination of EU experience and expertise around climate, development and trade-related policy, Europe's available capital for investment and Africa's enormous potential.

Recommendations.

- (1) The Africa-Europe Partnership should **demonstrate that its energy cooperation is just and equitable, and that it can help transform the general energy system and energy access in Africa, in a manner which is not primarily for the benefit of Europe's decarbonisation and race towards climate neutrality.**
- (2) The Africa-Europe Partnership should also demonstrate its **adaptability to the changing business case for renewables** in the current context, understanding the needs of Africa in terms of industrialisation. The Partnership should aim to demonstrate, with the right data available, that the 'renewable case' is the right energy pathway to follow, in terms of pricing, deployment, human and industrialisation needs.
- (3) The priorities of the Partnership in terms of energy should be:
 - a. **human development and economic opportunities**, including energy access, industrialisation, and transition.
 - b. **greater investments in energy grid infrastructure** for the penetration of renewables on both continents, building on EU's 'soft' and 'hard' expertise with its single electricity market and regional integration, and lessons learned in terms of energy pricing, as well as Africa's enormous potential with its power pools, and continental aspirations for integrated electricity markets (eg CMP and AfSEM).
 - c. **co-creating a conducive policy environment and climate investment** for public-private partnerships centred on the manufacturing and deployment of renewables for the benefit of both continents.
 - d. **shaping current narratives for a global energy transition**, understanding the continental aspirations of the African continent as enshrined at the AU level, and the energy access and industrial needs of the African continent to reach its Agenda2063.
 - e. **establishing cooperation platforms at regional and continental levels**, providing opportunities for African countries to outline their aspirations and EU countries to pool their expertise, with the aim of working together in a Team Europe approach.
 - f. Given that urgency and scaling up finance are two major bottlenecks for decisive and transformative action, there should be **greater recognition by Africa and Europe of the importance of involving the private sector** in the race for energy access and to make progress towards an energy transition at the speed and scale that is needed, in keeping with Agenda 2030 and Sustainable Development Goal 7. This will demand more agile public-private measures for de-risking, risk sharing, and first risk guarantees for private capital.
- (4) The Partnership must **better acknowledge the importance of the energy transition for the socio-economic development** of the African continent, the urgency of which is exacerbated by population growth, and rapid urbanization. There is the need for hard infrastructure that is resilient to the risk of climate change impacts. The balance between clean energy transition and development imperatives has to be tackled carefully, so that neither fossil-fuel rich nor fragile economies are left behind.
 - a. The Partnership should also keep its focus on ramping-up off-grid solutions, taking into account the low electricity-access rates. **The Partnership should be a linchpin**

for the implementation of the “prosumer concept” on both continents (by encouraging off-grid generation and productive use, by addressing mini-grids, self-consumption, and net-metering legislation, including feed-in-tariffs).

- (5) **The SG calls for the topic of energy access for industrialisation in Africa to be more central to the Partnership.** Indeed, the energy transition could bring about an industrial revolution if it is supported by large-scale productive investment and broader socio-economic development. It is in the interests of both continents that Africa does not remain a consumer of imported goods and services, produced in other parts of the world.
- a. The Partnership should also address how decarbonisation could lead to sustainable job creation on both continents.
 - b. The SG suggested that a similar approach be adopted for critical minerals. Indeed, it would be coherent for renewables and batteries to be produced in Africa, as highlighted by the recent African Renewable Energy Manufacturing Initiative (AREMI). This could serve as a springboard to rally EU support for production of renewables on the African continent. EU countries and associated financial and development organisations could forge joint partnerships for Africa-EU industrial cooperation to achieve the shared commitment to global decarbonisation.
- (6) **The Partnership should respond to the current heightened geopolitical tensions with more careful consideration of Africa’s perspective and position.** If Africa’s resources are increasingly coveted, then African voices should be reckoned with accordingly. Resource extraction should be African-led and owned, instead of donor-driven. The Partnership must recognise that it cannot be truly equitable if it ignores local demand.
- a. The SG recalls that the 41st Ordinary Session of the AU’s Executive Council and the African Common Position on Energy Access and Just Transition emphasized the importance of Africa charting its own short, medium, and long-term energy development pathways to accelerate universal energy access and transition without compromising its development imperatives.
- (7) The Africa-Europe Partnership should **produce credible metrics for assessing progress in the just energy transition.** These metrics should go beyond the number of GW installed, and measure impact on standards of living, income distribution, employment rates and more, since renewable energy installations need a corresponding pool of consumers. Such metrics could also help to assess progress against commitments made in the context of AU-EU summits and Commission-to-Commission meetings.
- (8) The Partnership should **build capacity in institutions for the just and sustainable exploitation of critical minerals.** Institutions also need access to good data, on which to build foresight, and strategy. A just and equitable Partnership requires that African governments become more competitive actors in this sector by, for example, establishing effective state-owned enterprises for mining and processing of critical minerals. The example of Chile provides a good model.
- a. Support should go to governments for these to develop conducive regulatory frameworks and an enabling policy environment. Governments require more resources to deliver on their targets and to provide the private sector with

transparent oversight about both the energy and critical mineral sectors in their countries.

(9) The SG recommends generalising 'Energy Day' at EU-Africa Business Forums.

Building on recent EU-Africa Forums in a number of African countries, it would be good to bring together leading experts and practitioners, together with political and financial decision-makers to identify investment opportunities and co-design energy projects for the benefit of the two continents. This could take the shape of a match-making exercise and/or ministerial roundtables where EU countries come together to support specific countries' aspirations.

(10) The Strategy Group called for a communication strategy focused on energy (to highlight success stories and opportunities associated with energy access, transition & manufacturing) to promote the energy transition by inspiring change and collaboration.

- a. This communication strategy should raise the profile of countries with high renewable energy rates and underline that energy access imperatives remain urgent.
- b. This common communication should clarify that the EU's reopening of coal plants for energy generation is intended to be a temporary emergency response to the Ukraine conflict, and will be reversed.

(11) The Partnership should encourage African countries to reflect real costs in their tariff structures, in order not to disincentivise the local private sector. Domestic electricity tariffs need to reflect the comparative costs of renewable energy versus fossil fuels, without unfair use of subsidies, while adapting to purchasing power as needed. International rules of trade should better regulate competition within the renewable energy sector in emerging markets with the abolition of subsidies to thermal power generation.

(12) Investments in the energy transition should mobilise larger volumes of national currencies to improve resilience to fluctuations of the world economy and protect internal energy markets.

(13) European partners should direct the reform of the international financial institutions towards strengthening the EFSD+'s financial support to renewable energy investments, including to reduce the price CAPEX for small developers. Financial institutions should prioritise investments in local currency to solidify national economies by harnessing the growth and industrialisation potential of the energy transition.

(14) The Global Gateway Africa-EU Green Energy Initiative (AEGEI) should not dilute the 2015 Africa Renewable Energy Initiative (AREI), but rather be better aligned with the AU's continental Just and Affordable Energy Transition Initiative.

(15) Upcoming JETPs should take a broader perspective of the country's energy transition, should be more country-owned and stakeholder-inclusive, and should address the partners' conditionalities in the earliest possible stages of planning.

CONTACT /

Raphael Danglade

Lead Portfolio Manager – Climate & Development
Africa-Europe Foundation

raphael.danglade@africaeuropefoundation.org

CONTACT /

Camilla Toulmin

Senior Fellow for Energy and Agri-food Systems
Africa-Europe Foundation

camilla.toulmin@africaeuropefoundation.org