

COP27 Thought Leadership Series: What does the Just Transition mean for Africa?



SHAPING THE CONTINENT'S ENERGY FUTURE WHILE NAVIGATING THE NEW SCRAMBLE FOR AFRICA

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Africa is increasingly becoming a geopolitical and geo-economic playground for powerful countries and blocs as they look to African resources to secure both their short- and long-term energy security needs. This has been particularly evident in the past year, following the outbreak of conflict in Ukraine and the subsequent dash for African gas by European countries. Yet the isolation of Russia is not the only battle being fought with the help of African resources. There is also increasing posturing around Africa's critical mineral base, as the US wakes up to China's dominance over these resources and looks to claw back its influence on the continent.¹

Such geopolitical tusslings create several possibilities for African governments as to which mast(s) to nail their colors to. Importantly, they also signal how powerful countries and blocs are positioning themselves in the current and future energy landscapes. And it is the *future landscape* that African countries should be paying particular attention to. Because while we busy ourselves trying to convince the world that we have the right to develop our gas resources, powerful countries and blocs are focused on capturing future market share of clean energy value chains. Even the US is now desperately trying to make up for time lost under the Trump administration, as illustrated by the recently passed Inflation Reduction Act.²

And yes, there is absolutely no moral question about our right to develop our gas resources. As a continent, we have contributed the least to climate change. As a continent, we *still* contribute the least to climate change. And we too have the right to heat our homes, to power our industries and to 'guard against winter'. Suggestions by those in the global North (see John Kerry for example) that we should not develop our gas resources should be dismissed as the fork-tongued, self-serving positioning that they are.³

But moral arguments in favour of developing our gas resources will not get us past two important realities. The first is that Africa is the most vulnerable region in the world to climate change. We simply cannot afford to exacerbate climate change impacts. And if we are brutally honest, we know that developed countries have no intention of living up to their commitments to support our adaptive capacity – the best predictor of future behavior is past behavior. So, whether we like it or not, rapid global decarbonisation is imperative to our socio-economic sustainability as a continent. The second important reality that we cannot lose sight of is that the world *is* transitioning away

from fossil fuels. The current dash for new projects by international oil majors should be seen for what it is – not a signal of long-term prospects, but a desperate attempt to recuperate as much profit as possible before demand ultimately diminishes (what Hans-Werner Sinn described as the 'green paradox'⁴). And the writing is on the wall, if USD150 billion in profits just this year by the seven largest oil companies is anything to go by.⁵

And when the world does transition, penalties on fossil-fuel-dependent economies will become a reality. The European Union's Carbon Border Adjustment Mechanism (CBAM) is just one example, but it certainly will not be the only one. The CBAM, which is gradually being phased in, will place additional import tariffs on carbon-intensive goods, rendering imports from fossil-fuel-dependent economies uncompetitive in European markets. This will affect the exact countries that Europe is currently eyeing to fill their Russian gas gap. Exceptions might be made, as Timmermans suggested was possible for the US,⁶ but if history is anything to go by, these will not apply to us.

So, while the current prospects of high prices are appealing, African countries should think very carefully about their current investment decisions and the transition risks incurred by them. For example, modelling by Willis Towers Watson for the African Climate Foundation on the transition risk on LNG assets in Mozambique and Tanzania shows that in a 'well below two degrees' future, 'Mozambique's LNG resources would be worth 61% (or USD 66.4 billion) less than in a "Business as Usual" (BAU) scenario', and that 'Tanzania would be relatively more exposed, with resources worth 69% (or USD 20.1 billion) less'.⁷ This will have devastating impacts on both economies.

So, with COP27 at our doorstep – an African COP – what should we as African countries be prioritising? What agenda should we be leveraging our convening power towards? Clearly not gas. Not only is this not a priority for most African countries that do not have oil and gas resources, but it is also a distraction. We simply do not need more investments in resource extraction that serve primarily to benefit the needs and interests of those in the global North. What we need is affordable energy to power our households and drive our industries. And while the international oil majors have great PR campaigns about gas-supporting energy access, they certainly have no interest in prioritising uncertain domestic markets over lucrative international ones.

Instead of nailing our colours to masts of the past, we should be looking forward. Like the US, we too should be scrambling to make up for lost time. With razor-sharp focus and bullish determination, we should be positioning ourselves for future market share of clean energy value chains. We should be readying our economies and people for the transition while building our industrial capabilities. We should be putting in place mechanisms that penalise

imports from fossil-fuel-dependent economies outside of the continent. We should be imposing windfall taxes on international oil majors.

Let us not waste the opportunity presented by an African COP to position ourselves in the clean energy future and mobilise the funding needed to meet our domestic energy needs and unlock new and sustainable development pathways.

ENDNOTES

- 1 Michael J Kavanagh, US asks Congo to halt oil bids in one of world's most important carbon sinks, *Bloomberg*, 4 October 2022, <https://www.bloomberg.com/news/articles/2022-10-04/us-urges-congo-to-halt-oil-bids-in-sensitive-forests-kerry-says?leadSource=uverify%20wall>.
- 2 Tess Turner, How the Inflation Reduction Act will help the United States to lead in the clean energy economy, Blog post, 19 September 2022, <https://www.cfr.org/blog/how-inflation-reduction-act-will-help-united-states-lead-clean-energy-economy>.
- 3 See, Bate Felix, U.S. climate envoy Kerry cautions against long-term gas projects in Africa, *Reuters*, 17 September 2022, <https://www.reuters.com/business/energy/us-climate-envoy-kerry-cautions-against-long-term-gas-projects-africa-2022-09-16/>.
- 4 Sinn, H.-W. (2012). *The Green Paradox: A Supply-Side Approach to Global Warming*. Cambridge, MA: MIT Press.
- 5 Jasper Jolly and Jessica Elgot, Profits at world's seven biggest oil firms soar to almost £150bn this year, *The Guardian*, 27 October 2022, <https://www.theguardian.com/business/2022/oct/27/profits-at-worlds-seven-biggest-oil-firms-soar-to-almost-150bn-this-year-windfall-tax>.
- 6 US could dodge European carbon border levy, EU's Timmermans says, *Euractiv*, 21 September 2022, <https://www.euractiv.com/section/energy-environment/news/us-could-dodge-european-carbon-border-levy-eus-timmermans-says/>.
- 7 Muhammed Anwar, Patrick Neary & Matthew Huxham, *Natural Gas in Africa amid a Low-Carbon Energy Transition: A Case Study of Mozambique and Tanzania*, African Climate Foundation, November 2022, <https://africanclimatefoundation.org/wp-content/uploads/2022/10/Natural-gas-in-Africa-amidst-a-global-low-carbon-energy-transition-A-case-study-of-Mozambique-and-Tanzania-Final-Web.pdf>.

ABOUT THE AFRICAN CLIMATE FOUNDATION

The African Climate Foundation (ACF) is the first and only African-led and fully African-run climate change re-granting organisation on the continent. Through its grant making and thought leadership, the ACF seeks to support interventions at the nexus of climate change and development that have the greatest potential to deliver long-term socio-economic transformation and inclusive development in Africa.

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Africa Policy Research Institute (APRI) is a Berlin-based, African-led think tank with a mandate that includes creating, co-creating and amplifying African positions in the heart of Europe, where decisions that affect Africa are routinely taken without input from African voices.

ABOUT THIS SERIES

This publication is part of a series of special thought pieces published jointly by APRI and the ACF to elevate African thought leaders in the international climate change debates on how African countries can leverage their collective power on international platforms like the Conference of the Parties (COP27) to promote and articulate Africa's climate change priorities. The series covers themes that are fundamental to the discussion on the just transition, including (i) industrial development opportunities; (ii) climate finance; (iii) geopolitics of the energy transition; (iv) food system resilience; and (v) urban climate adaptation.

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