

# THE ECONOMICS OF CLIMATE EQUITY AND THE FUTURE OF OIL AND GAS IN AFRICA

POST-DIALOGUE REPORT: HIGH-LEVEL  
INSIGHTS AND KEY ISSUES – 29 JUNE 2021





As part of London Climate Action Week (LCAW) 2021, the African Climate Foundation (ACF) hosted a webinar titled **The Economics of Climate Equity and the Future of Oil and Gas in Africa**. Our distinguished panel of speakers unpacked alternative pathways for Africa's transition towards net-zero, what this means for the future of African economies, and responses at the nexus of climate and development that have the most value to unlock economic transformation on the continent. The ACF's objective is to inform ongoing debates around a just energy transition in Africa by surfacing pan-African perspectives that will inform key policy proposals to strategically position the continent as a low-carbon investment destination, maximise equity, and advance economic transformation to enable African economies to deliver on sustainable development priorities. This webinar therefore served as a platform to amplify Global South voices and build solidarity for more integrated and coordinated responses to climate change on the continent. Furthermore, it allowed Africans to navigate and attempt to overcome hurdles to the continent's ambitions towards the achievement of net-zero targets.

The session started with a presentation by ACF Executive Director, Saliem Fakir, on the ACF Strategic Framework (2021–2025), followed by a keynote address by Adnan Amin, Director General Emeritus of the International Renewable Energy Agency (IRENA). The session then moved into a panel discussion with sector representatives, Thuli Makama (Oil Change International), Odunayo Eweniyi (Piggyvest) and Dickens Kamugisha (Africa Institute for Energy Governance). This report provides high-level insights and key issues that emerged from the webinar.

There is a gap in the role of private philanthropy on the continent; it is non-comparable with bilateral overseas development assistance. The ACF is set up to facilitate the kinds of investments that are important, and to work with other private philanthropies and foundations to enhance climate work on the continent. The ACF is a hybrid organisation, viewed as a strategic grant maker but it also plays an intellectual, thought leadership and think tank role on the continent.

– *Saliem Fakir*

# ENERGY AND THE FUTURE OF OIL AND GAS IN AFRICA

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The African continent has decisions to make on economic development and climate change that will be consequential to global efforts in response to the climate change crisis. Central to this is understanding the needs of the African context. Africa is transforming at a very fast pace and is having to make decisions on its future in a very short period – this happens against the backdrop of growing pressures from the international community to reach net-zero targets by 2030. While Africa remains a minimal contributor to greenhouse gas emissions compared with developed countries, it stands to be significantly impacted by the effects of climate change. The issue today deserves a transparent debate around how these decisions are going to be taken, unlike how decisions have been taken on these important issues in the past. Fundamentally, the levels of accountability both within government and outside of government can foster the form of change that benefits the continent’s populace. Africans must talk about the bigger picture of economics, governance, democracy, and the levels of investment that encourage lower dependency on commodities and more diversified economies.

## The role of oil and gas in a decarbonised world

Questions arise as to what role Africa can play so that it does not become a victim of natural events and policies that undermine the long-term economic and development interests of the continent. Africa’s energy future today will be extremely consequential to its future prosperity and geopolitical position. From an economic perspective, investments in resources that will become stranded assets and become a debt burden to African economies may have irreversible consequences for economic growth and development. Within this context, African countries need to figure out how this transition will unfold; and how African economies will become diversified in a way that attracts climate finance and reduces the debt burden. To achieve this, there needs to be a more concerted push to interrogate private-sector and political interests and incentives for continued investments in, and new discoveries of, fossil fuels.

## Oil and gas economies have not delivered

Africa needs to demonstrate viable economic alternatives to replace fossil fuels such as oil and gas, especially in a context where these resources are large energy contributors and major contributors to GDP. The evidence of this is clear. However, Africa cannot overlook the social and economic dividend that has arguably not delivered on the continent’s prosperity agenda, especially in oil- and gas-reliant countries. Africa continues to be hamstrung by its natural resource curse – a result of competing political and private-sector interests as well as the prevalence of corruption and states being complicit enablers of illicit financial flows – all of which have immensely impacted Africa’s development pathways.

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## Transitioning from commodity dependence to a diversified, localised model

There is the convergence between the green revolution and technology revolution with the expansion of digital technologies, and this revolution is highly dependent on critical minerals like cobalt, lithium and graphite, vast amounts of which are located on the African continent. Africa, with the adoption of the African Continental Free Trade Area (AfCFTA) agreement, needs to position itself on the new technology wave and with regard to policies around critical minerals. There is the need to build the mechanisms and the capability for broader economic reform in order to diversify and lower dependence on commodities. It is vital for Africans to find the mechanisms to encourage economic diversification, broaden the economic base, and lower the dependency on oil and gas. Diversified economies attract a broad tax base where citizens and companies can save more, thus creating a virtuous investment cycle.

South Africa, Kenya, Uganda, Morocco, and Ethiopia design public-private partnership independent power producer procurement models in which the state provides a level of guarantee and private companies bid competitively to bring down the cost of these renewables on average.

– *Saliem Fakir*

## VIABLE ECONOMIC ALTERNATIVES – OPPORTUNITIES TO UNLOCK PRODUCTIVITY IN OTHER SECTORS OF THE ECONOMY

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### The argument for renewables is there, yet new fossil fuel discoveries are on the rise

The conversation on energy access is changing, with renewable technologies having been developed and renewable energy prices having declined. According to Adnan Amin, solar and wind sit at \$0,02/kwh, yet oil and gas prices remain at \$0,12/kwh. Europe's gas plants are being decommissioned and sold off at low costs. The problems of intermittency with renewables are being overcome by storage technologies and digitalisation. The renewables movement is not at the expense of economic growth; the data shows that developed countries have been able to reduce their own gas emissions while growing their economies simultaneously.

### Enhancing the risk profile of African countries is essential to renewable electrification

Access to electricity is life-changing with regard to productivity, health and prosperity. According to Adnan Amin, there are cases in rural areas across Africa where electricity is being deployed through decentralised generation, solar hybrid grids and mini grids. But there are still many renewable energy companies that are struggling to take off across Africa. The cost of renewables is still expensive in African countries when compared with other developing countries like Southeast Asia and India. The challenge is to bring these costs down, but this can only happen if economic conditions are improved and African economies are able to attract blended finance models for infrastructure so as to balance the social and



economic cost of transition. Domestic financing cannot be done by countries on their own, but it can be done at a subregion level, for example through clean energy corridors. There is a need for a policy framework to enhance the risk profile of African countries, included a greater need to assert the relevance of multilateralism and other processes taking place outside the Paris Agreement.

## REIMAGINING AFRICA'S CLIMATE PROSPERITY AGENDA; RETHINKING CLIMATE ACTIVISM

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African governments and leaders need to recognise the role that technology can play in employment and equitable growth. According to Odunayo Eweniyi, the African tech ecosystem is worth \$20 billion, and Lagos alone is worth \$6 billion, yet the government has refused to recognise the socio-economic transformational role tech can bring. South Africa has 1 200 start-ups, Nigeria has 400, and Kenya has 700. These companies require the support of the government and business leaders. Odunayo makes a call to action:

Young people need to be at the centre of the conversation, and we also need to be forward-looking policymakers to drive action.

– *Odunayo Eweniyi*

### What activism do we need?

We are increasingly pressured to transition towards reducing emissions. However, Western countries are financing new oil and gas discoveries in Africa. Vulnerable groups are often



excluded from political decision-making platforms that impact their sustainable livelihoods. How do we rethink the kinds of activism that are required to pressure governments into making more strategic decisions around new investments?

Over the past decade, climate change litigation has increasingly been utilised to influence policy outcomes and sway corporate and societal behaviour, and there have been a few instances of successful litigation on the African continent in South Africa, Kenya and Ghana. However, strategic litigation should be deployed as a last-resort strategy. To facilitate this, policymakers need to open engagement platforms that harness inclusive participation. Civil society needs take bolder action in demanding a seat at the table. As sector players prepare for COP26 in Glasgow this year, and the Africa COP in 2022, this presents a window of opportunity for civil society to coordinate efforts around pushing for greater policy coherence on climate change, particularly for accelerated climate finance as a mechanism to unlock untapped economic potential. Looking ahead, the broader philanthropic community will need to make strategic investments that accommodate targeted advocacy and civil society mobilisation towards COP27. The challenge for civic actors is to draw and galvanise momentum for broader coalescing across the youth, existing movements relating to gender, social, economic and tax justice issues, and vulnerable communities affected by the effects of climate change, to build voice and agency in order to advance a socially inclusive, just transition on the continent.

## What should we as African people focus on?

There are broad political questions that need to be addressed, and there is the need to garner consensus on key policy issues on the part of African heads of state. Africa lacks sufficient capital to accelerate a transition; thus we should focus on: fighting corruption; good governance to mobilise financial resources; citizen mobilisation; and citizen participation in decision-making processes. We can use international platforms such as the COP to negotiate and to show that Africa can determine its own agenda in consultation with the rest of the world.

# THE CLIMATE HAS NO BORDERS

## KEY MESSAGES TARGETING COP26

To effectively achieve a just transition in Africa, consideration needs to be given to addressing competing social and economic realities that are at the centre of the continent's triple challenge: unemployment, inequality and poverty. Failure to understand the needs of the African context, and to address persisting inequity at the social and economic level, risks a transition that is not just.

The Africa COP in 2022 presents a window of opportunity for civil society to coordinate efforts around pushing for greater policy coherence on climate change, particularly for accelerated climate finance as a mechanism to unlock untapped economic potential.

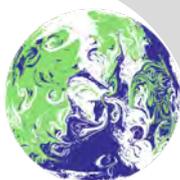
Political decision-making platforms such as the G20 and the Conference of Parties (COP) should recognise that a global decarbonisation drive that does not consider the systemic biases in the current global climate finance architecture will deepen the social and developmental divides between rich and poor, not lessen them.

At a macro-level, the inequities and inefficiencies of the international climate finance architecture should be addressed with greater levels of urgency. African countries should be advocating for reform within international finance institutions, including the International Monetary Fund (IMF), on internal prohibitive lending practices.

The global climate regime is seeing developed countries rapidly moving to divest from fossil fuel-based energy generation and supply. For developing countries, the development gap necessitates a slower transition to clean energy by gradually introducing a shift towards an energy mix where the larger generation of energy would come from renewable sources. To effectively invest in advancing a just transition, policymakers need to balance ecological objectives with social impacts.

Achieving a just energy transition also necessitates reforms to the broader global trade policies and rules governing technology and intellectual property rights. This requires active engagement by African heads of state, particularly with the World Trade Organization (WTO) and the European Union (EU).

African heads of state need to integrate the AfCFTA within broader economic recovery plans in order to drive green industrialisation and export diversification. This way, as Africa moves towards divesting from fossil fuels, effective implementation of the AfCFTA will fast-track regional economic integration and boost productivity in other sectors of African economies.



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## MEET OUR SPEAKERS



**Adnan Amin** is a development economist specializing in sustainable development and is a national of Kenya. Adnan Amin is currently a Senior Research Fellow at the Harvard Kennedy School's Belfer Center working on the Geopolitics of the Energy Transition. Adnan has had a distinguished career at the UN, including most recently his appointment by the Secretary General of the UN as a member of his High-Level Advisory Group on Climate Change. Adnan has served as the first Director General of the International Renewable Energy Agency (IRENA) and was granted the honorary title of Director-General Emeritus by the 2019 IRENA Assembly. He is also a Distinguished Fellow of the Atlantic Council, a member of the Jury of the Zayed Sustainability Prize, a member of the Global Energy Prize International Award Committee, a member of the Stanford University Global Energy Council and of the Global Commission to end Energy Poverty-MIT/Rockefeller Foundation. He was recently accorded an Honorary Professor of Practice at the University of Sussex Business School.



**Thuli Makama** is Oil Change International's Senior Advisor for Africa, providing strategic direction and campaign support for the organisation's work in Africa. Thuli works closely with civil society organisations and other stakeholders in the Africa region to shift energy finance towards clean energy access and to expose the impacts of fossil fuel projects. As a public interest environmental lawyer, Thuli has decades of experience advocating for public participation in environmental and economic development decisions. Prior to founding the Environmental Law Center, Thuli was Executive Director of the environmental justice organization Yonge Nawe/ Friends of the Earth Swaziland. She currently serves on the Boards of Greenpeace International and Environment Technology Concentration.



**Odunayo Eweniyi** is co-founder and COO of PiggyVest. She previously cofounded pushcv.com, one of the largest job sites in Africa with the largest database of prescreened candidates. She has five years' experience in Business Analysis and Operations and is a graduate of Computer Engineering, Covenant University, Nigeria. She sits on the advisory board of TrainFuture, as well as the Gender Lens Acceleration Best Practices Initiative, and the International Finance Corporation's Women Entrepreneurs Finance Initiative. She works to support the inclusion of women in technology by working with hubs and female-focused networks, including For Creative Girls, GreenHouse Labs, She Leads Africa, Itanna.



**Dickens Kamugisha** is the current Chief Executive Officer of Africa Institute for Energy Governance (AFIEGO). He is also an advocate of the High Court of Uganda and a member of Uganda Law Society and East African Law Society. He has undertaken many professional trainings including Access to Biological Resources, Benefit Sharing and Material Transfer Agreement (ABS), International Trade Policy, Bio-safety Mechanisms-Intellectual Property Law and Health in Africa, NGO Leaders Capacity Building Strategy, and others. He has written widely on oil and electricity governance. Mr Kamugisha holds a Master of Laws degree majoring in Energy Governance from Makerere University, Kampala-Uganda.



**Saliem Fakir** holds a Masters' Degree in Environmental Science and Management, Wye College London and has expertise in the fields of environment, climate, finance economics and a range of development issues. Prior to founding The ACF he served as the Head of the Policy & Futures Unit of WWF South Africa and was an Associate Director for the Centre for Renewable and Sustainable Energy at Stellenbosch University. Saliem has served on several boards and is a prolific writer who regularly contributes to leading publications.



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