

# Boosting Africa's energy transition - initiatives, funding and investment

By [Kieran Whyte et al.](#)

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In Africa, 43% of the population does not have access to electricity, mostly in sub-Saharan Africa, according to a recent report by the International Energy Agency. Increasing access to a clean, decarbonised, decentralised energy supply is therefore critical for the continent.

The growing focus on the energy transition can benefit Africa in numerous ways, including that the continent is already in the process of harnessing its vast supply of renewable energy to generate power, and is also gearing up to increase trade in its large store of critical minerals, needed for the global energy transition.



Source: Gallo/Getty

To enable this transition, countries across Africa are implementing policy that takes into account the energy crisis and the need for a renewable energy supply that addresses climate change and the commitments made under the Paris Agreement. In addition, many countries in Africa, and other jurisdictions, are launching initiatives and providing funding, investments and grants for African renewable energy projects.

## Funding and grants

Countries in Africa and around the world have all recently reaffirmed their commitment to impact-building and strategic, long-term projects that benefit the energy transition and promote economic stability in Africa.

For example:

- In June 2023, a dedicated blended finance fund, SA-H2, was launched to raise \$1bn for the construction of green hydrogen projects in South Africa. The fund will enable the development of large-scale green hydrogen infrastructure, directly or through public-private partnerships and domestic and global finance institutions.

It is supported by a joint venture between Dutch development bank FMO, Sanlam InfraWorks and Invest International (owned by the Dutch Ministry of Finance), as well as the Development Bank of Southern Africa, the Industrial Development Corporation (IDC) and others. Once established, the SA-H2 will join the SDG Namibia One Fund to offer a blended finance solution for Southern African's green hydrogen sector.

- In May 2023, the Africa Finance Corporation and Japan Bank for International Cooperation (JBIC), signed a memorandum of understanding to collaborate on infrastructure projects that accelerate the energy transition in Africa.
- In January 2023, Team Europe (the European Union and its member states) launched the Just and Green Recovery Team Europe Initiative for South Africa, as part of its Global Gateway programme. The initiative includes funding of more than €280m in the form of grants, which will be directed towards supporting policy reforms on green recovery, unlocking green investments and building a knowledge-based transition in South Africa.
- In 2022, the G7 countries announced that a \$600bn lending initiative, the Partnership for Global Infrastructure Initiative (PGII), would be launched to fund sustainable infrastructure projects in developing countries, with a particular focus on Africa.
- Also in 2022, the US announced it was mobilising \$200bn for developing countries over the next five years as part of the PGII. This funding will be in the form of grants, financing and private sector investments. One of the priority pillars of this funding will be "tackling the climate crisis and bolstering global energy security". Some deals have already been announced, including a \$2bn solar energy project in Angola.
- Power Africa, a US government-led programme that focuses on addressing Africa's access to electrical power, has also provided significant support for the energy transition. In its 2022 annual report, Power Africa noted that one of its achievements had been to successfully deliver first-time and improved electricity access to 37.7 million people in Africa through 7.6 million new on- and off-grid connections to homes and businesses in 2022.
- In February 2022, the European Commission announced investment funding for Africa worth €150bn. The funding package is part of the EU Global Gateway Investment Scheme and is said to be in the form of EU combined member funds, member state investments and capital from investment banks. In 2020, the European Commission published its *Comprehensive Strategy with Africa*, outlining the region's plans for its new, stronger relationship with the continent. Some of the key focal points in this strategy were assisting the continent with the green transition and improving access to clean energy.
- China and Africa have also recently agreed to work together on improving Africa's capacity for green, low-carbon sustainable development. At the 2021 Forum on China-Africa Cooperation, green development was one of nine programmes identified as part of the China-Africa Cooperation Vision 2035.
- The UAE has also moved to establish mutually beneficial initiatives in the energy sector in Africa. As the fourth largest

investor on the continent, the UAE has made significant investments across Africa in energy and infrastructure projects, which benefit the continent but also assist the UAE to advance its own development agenda.

Furthermore, the UAE's expertise in oil and gas has also assisted African countries to advance their own gas-to-power agendas. For example, there have been recent investments in LNG projects in Mozambique, Nigeria, Senegal and Mauritania. The commitment to developing ongoing, sustainable trade is also demonstrated by recent diplomatic and policy-driven decisions. The UAE and Kenya recently issued a joint statement announcing their intention to negotiate a comprehensive economic partnership agreement (CEPA), which will increase non-oil bilateral trade between the UAE and Kenya, which rose to \$2.3bn last year.

- Many new cross-regional energy transition initiatives have recently been announced. The Africa Carbon Markets Initiative (ACMI) was launched at COP27 with the goal of substantially expanding Africa's participation in voluntary carbon markets. The ACMI is aiming for the production of 300 million credits annually in Africa by 2030 and 1.5 billion credits annually by 2050. It noted these targets would provide much needed financing for the, energy transition in Africa. Many African countries, including Gabon, Kenya, Malawi, Nigeria and Togo supported the initiative.
- Egypt launched, under the leadership of its COP27 presidency, the Africa Just and Affordable Energy Transition Initiative, which will identify local strategies and energy mixes needed to steer African countries away from reliance on fossil fuels. The implementation of a clean energy transition cannot be the same globally.

The initiative aims to meet the universal access by 2030 and energy demands of Agenda 2063 for the African continent and, among other means, includes consolidating and facilitating technical and policy support. It was also recently announced that Egypt is set to achieve its goal of supplying 42% of the country's energy requirements through renewable energy by 2035.

- At COP26 in November 2021, the EU and the governments of France, Germany, the UK and the US pledged \$8.5bn in first round financing to assist South Africa with energy transition projects as part of the Just Energy Transition Partnership (JETP). During COP27, President Cyril Ramaphosa launched the new Just Energy Transition Investment Plan, which outlined the investments required to achieve the South Africa's decarbonisation commitments, while promoting sustainable development and ensuring a just transition. The plan identifies \$98bn in financial requirements over the next five years, from both the public and private sectors. Discussions are also underway to establish a similar partnership in Sénégal.
  - Nigeria's Environment Minister Mohammed Abdullahi said at COP27 that Nigeria wanted the support of a JETP with the G7. He said that the country needed significant resources to implement its energy transition, noting a \$10bn per year financing requirement to meet its 2060 net-zero target.
  - Kenya's President William Ruto announced recently that Kenya had signed a framework agreement to produce an initial target of 300MW of green hydrogen in the country.
  - Tanzanian President Samia Suluhu Hassan presented a \$18bn energy-transition proposal covering 12 southern African countries that are connected via the Southern African Power Pool. The proposal is to increase renewable energy generation (solar and wind) by around 8.4GW. The 12 countries are Angola, Botswana, Democratic Republic of the Congo, Eswatini, Lesotho, Mozambique, Malawi, Namibia, South Africa, Tanzania, Zambia, and Zimbabwe.
  - Multilateral and development finance institutions (DFIs) have been important allies in developing and mobilising funding in Africa's renewable energy sector. They have provided funding for projects, but they have also structured successful programmes to address potential risks. For example, the Sustainable Energy Fund for Africa (SEFA), a multi-donor Special Fund managed by the African Development Bank, provides catalytic finance to unlock private sector investment in renewable energy and energy efficiency.
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Elizabeth Pineau and John Irish 23 Jun 2023



### Investment

Access to power on the continent has been hampered by the lack of access to competitive funding, the dire state of Africa's utilities infrastructure, and the need for energy policy and legislation to be adapted to boost investment. However, new systems and networks are now being designed around future environmental stressors and energy demands, without having to consider the limitations of old infrastructure.

With the use of mobile technology and the lack of existing electricity transmission networks, these developments are now providing an opportunity for African communities to gain access to power by leapfrogging the traditional model of centralised generation and transmission of power.

New and cost-effective solutions that utilise renewable energy, green hydrogen, battery storage and smart power technologies, as well as the global drive towards a secure energy supply that addresses climate change and stimulates economic growth, are all leading to innovative private equity (PE) and M&A investment opportunities. For example, PE funds in South Africa are investing in the country's energy transition by backing the independent power producers that supply renewable energy to South Africa's power grid, as well as ancillary companies in the clean energy sector.

However, according to Bloomberg, clean energy investment in Africa is concentrated in a handful of markets - South Africa, Egypt, Morocco, and Kenya. These countries were the recipients of three-quarters of all renewable energy asset investments, totalling \$46bn, in the continent since 2010.

It is hoped that the many initiatives that focus on boosting access to renewable energy in Africa will result in a whole-continent approach, switching on access to power for the 43% of the African population who are not yet benefitting from the region's renewable resources.

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