



# Energy Access, Climate Change and Economic Development in SSA: A complicated nexus



**WORLD BANK GROUP**

**SSA EXECUTIVE DIRECTORS**

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# SSA faces unique challenges and requires smart solutions to achieve universal access and improve service quality

- ❑ **Half of SSA countries have insufficient power supply. Total installed generation capacity only ~110 GW**, equivalent to mid-sized developed country, limiting speed of access expansion
- ❑ **Very high electricity costs in several countries** (i.e., Western Africa) due to energy mixes heavily reliant on diesel/HFO, uncompetitive procurement and sector governance issues, while **electricity tariffs, although high, remain below cost-recovery.**
- ❑ **Limited consumer affordability**, with electricity bill >10% of income of bottom 40% of population in several countries and connection fees largely unaffordable
- ❑ **Vast geography and low population density**, leading to high grid extension costs in rural areas
- ❑ **Very low transmission and distribution (T&D) network coverage, unreliable grids and high losses** (20% distribution losses – double the international norm), resulting in poor service and waste of energy
- ❑ **Rapid population growth** pulling down access rates even as connections increase and **rapid urbanization** (SSA will be majority urban by 2050) **make energy poverty to widen**

Addressing the structural drivers of high energy costs and tariffs is **key to expanding access and requires a shift towards least-cost energy mixes** notably including **low carbon options**, as well as **reforms to enhance sector governance and competition**

Due to low density and remoteness, **off-grid solutions (solar home systems - SHS, mini-grids) provide a least-cost option in rural areas** and it is estimated that **40% of new connections will have to be off-grid to meet SDG7**

At the same time, **attention must be paid to expanding connectivity and ensuring service quality in fast growing urban areas** to sustain growth and inclusion

# Key Findings Summary– The Data and Facts

## SSA will require reliable, affordable power to drive industry, commerce and support decent livelihoods

1

More than 600 million people lack access to electricity while some 900 million lack access to clean energy. **Intermittent renewables cannot** provide the electricity to power industries 24/7 throughout the year. Off-grid and mini-grids offer least cost solutions for people living in remote regions

## The war on climate change will not be won in SSA

2

Renewables already account for more than 50% of SSA energy mix and contribution to GHG emissions is a mere 0.5%. If hydro and gas resources are used optimally, **SSA share in global power sector emissions will be a mere 1% in 2030.**

## Developed countries experience show the path to energy transition

3

The power sector transition to a **low carbon economy must be built around a combination of flexible gas and renewables** when nuclear is out of reach. Building resilience of the T&D networks to reduce losses and absorb renewables are critical in expanding access

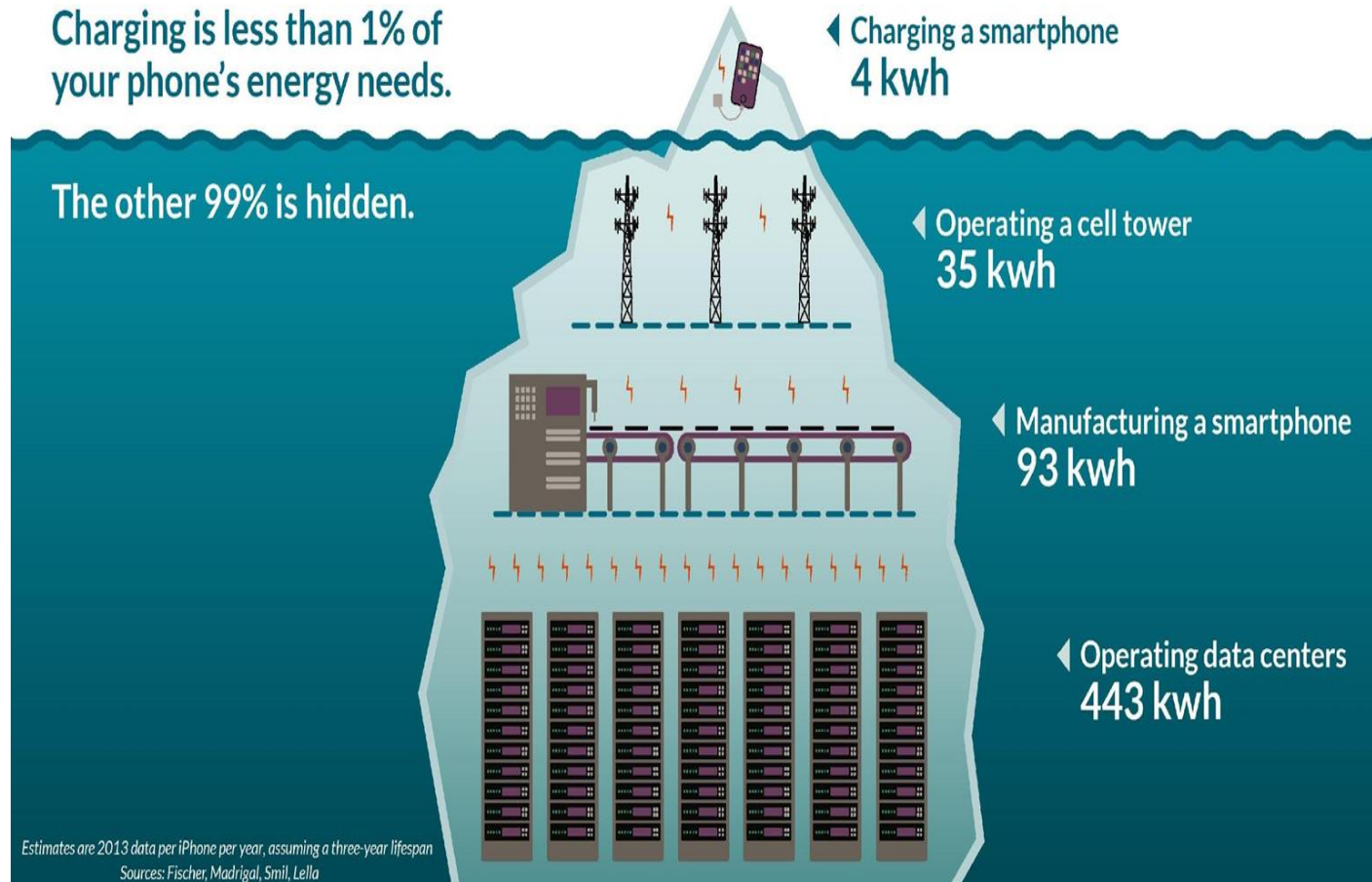
## SSA will need a differential treatment to secure the power it needs to accelerate economic transformation

4

Sector reforms and performance of utilities are critical. **But we need to go beyond energy poverty and think about energy for prosperity** – focusing more on the use of energy for productive purposes.

# Transformation in SSA cannot be achieved without core power

## THE INVISIBLE ENERGY OF A SMARTPHONE



# Africa must Ensure its Future Energy Security

- For Africa, the availability of, and access to electricity is critical for accelerating economic and social transformation, including digitalization
- Gas generation, which most experts recognize as the most affordable and least polluting **base-load** alternative and which has been used by most advanced economies in their transition to cleaner energy, is now under the hammer. Indeed, **by July 1, 2025**, it is unlikely that gas power projects will be financed by the WBG and other IFIs where advanced economies have a say
- **This new development puts at risk the future energy security of Africa, hence the SSA development agenda.**

# A ban on fossil fuels, including gas, is already in effect

- Development partners have collectively signaled the end of public investments in natural gas for power generation, except for a limited number of eligible IDA countries.
- Several developed countries have also adopted policies that will not allow them to support the financing of gas fired power plants by IFIs and MDBs, with conditional **exceptions for a few IDA countries until 2025.**
- The Paris Agreement implies flexibility on using gas to generate electric power, which one can take as a subtle recognition that renewables alone will not suffice to power businesses and industries given its variability and intermittency.

***“recognizes that countries have different circumstances and gives them the latitude in the pathways they choose to achieve the overarching goal of low-carbon, resilient development.”***

# The WBG Climate Change Action Plan (2021-2025) and its impact on SSA Energy Security

The Bank's CCAP recognizes that *no country can achieve economic growth and extensive private-sector job creation without ensuring access to affordable, reliable, sustainable, and modern energy for all.* **It also acknowledges *the role of natural gas as a transition energy.***

- By **July 1, 2025**, the WBG will no longer finance gas powered projects unless gas would have a role in the energy sector that cannot be substituted economically with clean alternatives.
- The Bank plans to align all new operations by July 1, 2023.
- For IFC and MIGA, 85% of Board approved *real sector* operations will be aligned starting **July 1, 2023**, and 100 percent of these starting **July 1, 2025**.

## There is a small Window of Opportunity before the ban on gas financing comes into effect ....

- But gas-rich IDA countries must act fast before the financing ban kicks in. These countries must ramp up structuring of gas to power projects not only for domestic consumption, but also to feed into the regional power pools in Africa -thereby developing a new economic pillar and revenue stream to support social expenditures.
- We suggest working with the WBG (IFC and MIGA included) to implement quickly the reforms needed to attract FDI.
- Several developed countries could support the financing of gas fired power plants by IFIs and MDBs, but under conditional exceptions for a few IDA countries.



## Action Taken by Executive Directors

To capitalize on this small window of opportunity, SSA Executive Directors have coordinated and initiated a conversation with key stakeholders from European countries and the United States to make a case for Africa to be given a differential treatment in the name of climate justice and in line with the Paris Agreement.

- They have laid out the case for SSA with specifically Executive Directors and policy makers from the UK, France, the Nordic and Baltic Group and the US.
- They have argued that energy transition in the name of climate change may not be applicable in the African context.
  
- Key points raised were that :
  - i. SSA has the lowest per capita emission in relation to population size when compared to the rest of the world.
  - ii. SSA power sector is already clean with a contribution of only 0.5 % of GHG emissions, excluding South Africa.
  - iii. More than 50% of the power generation comes from renewables (mainly hydro) with oil and gas accounting for most of the balance.
  - iv. Even if Africa exploits its huge gas potential optimally, experts project that emissions will not reach 1 % in 10 years' time.
  - v. SSA has the largest share of population with no access to electricity, either on or off grid

# Recommendations

The WBG represents a natural entry-point for Governors to make their case, but in addition, as your representatives, African EDs recommend as follows:

- Governors - in their Memorandum and Declaration to the Heads of the BWIs – must underscore the complementarity between energy security, the climate agenda and economic transformation and
  - i. call for a “just” transition, based on energy mix which includes gas; and
  - ii. urge the WBG to stay engaged in financing gas fired power plants, while applying differentiated financing models and instruments to avoid a one-size-fits-all approach, including its strong Environmental and Social Standards
- Encourage Governors to convey the same message at the forthcoming UN Climate Change Conference of the Parties (COP26) in Glasgow (UK) on 31 October – 12 November 2021 as well as during other various global fora (UNGA, G20, etc.).
- Encourage Governors to engage with the donors/partners bilaterally and convey the message on the importance of energy security for their country and for the Continent.
- Encourage Governors to seek technical assistance from the WBG to define their reform agenda to attract FDI in the energy sector and design their energy transition strategy and implementation of the “just energy transition” approach.

## In the End

**Le succès de la transition énergétique requière une approche holistique et intégrée. Des réformes sont nécessaires dans le cadre de la définition et la mise en œuvre de stratégies énergétiques. Pour cela, naturellement, les Gouvernements ont un rôle central à jouer et la Banque mondiale sera prête à les appuyer. Mais, il ne faut pas oublier le rôle du secteur privé. Nous ne pourrons pas atteindre l'ODD 6 (Garantir l'accès de tous à des services énergétiques fiables, durables et modernes, à un coût abordable) sans une forte mobilisation de l'investissement privé. C'est pour cela qu'une implication encore plus soutenue d'IFC et de MIGA dans la phase de transition énergétique (et au-delà) sera nécessaire. Nos stratégies doivent intégrer aussi bien le secteur public que le secteur privé.**

**The success in the energy transition requires a holistic and integrated approach. Reforms are needed as part of the development and implementation of energy strategies. For this, of course, Governments have a central role to play; and the World Bank will be ready to support them. That said, we must not forget the role of the private sector if we hope to achieve SDG 6 (Ensure universal access to affordable, reliable, sustainable and modern energy services), as it is not attainable without a strong mobilization of private investment. Therefore, an even greater involvement of IFC and MIGA in the energy transition phase (and beyond) will be necessary. Our energy strategies must integrate both the public and private sectors.**