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How the G7 Can Effectively Back Africa's Twin Goal of Energy Access and Transition

by Margherita Bianchi

At the Africa Climate Summit held in Kenya in 2023, African heads of state and government produced the Nairobi Declaration,[1] which is now the basis for the continent's common position on global climate change – in line with Agenda 2063,[2] the African Union's development blueprint. The Nairobi Declaration calls on the international community to support an increase of Africa's renewable generation capacity to at least 300 GW by 2030 (from 56 GW in 2022) – to serve the double goal of alleviating its harsh energy poverty and increasing the supply of cost-effective clean energy for industry. The Declaration stresses the importance of climate-positive growth, green industrialisation, and local value creation, while recognising the cascading and multidimensional effects of climate change on African economies and calling, inter alia, for a debt moratorium so that the continent can prepare for a world of ever greater climate extremes. Grappling with the twin challenges of energy access and transition, Africa has the vision for its future. Yet, it lacks the adequate means. The good news is that this year's G7 under Italian Presidency might help.

The investment issue

The debate in many African countries bears little resemblance to that in wealthy G7 countries. The continent faces a major energy access deficit – with around 570 million people in sub-Saharan Africa lacking access to electricity and almost 960 million to clean cooking. With its population expected to grow to 2.5 billion by 2050, Africa stands at a crucial crossroads in its developmental trajectory. Despite

[1] African Union, *The African Leaders Nairobi Declaration on Climate Change and Call to Action*, 8 September 2023, https://au.int/en/node/43124.

[2] African Union, *Agenda 2063: The Africa We Want*, 2015, https://au.int/Agenda2063/popular_version.

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abundant renewable resources that could contribute to its own leapfrogging, in the past two decades only 2 per cent of global investments in renewables were made in Africa (and with significant regional disparities).

Unfair as it is, the African continent cannot behave like rich countries had the luxury to do, grounding their development on the unconstrained burning of unabated fossil fuels. Just as crucially, Africa needs to disproportionally deal with consequences of climate change that are not of its making – a key aspect guiding its demands in multilateral fora in line with the "common but differentiated responsibilities" principle that has been a staple of the international climate consensus since the Kyoto Protocol. Given the scale of the ambition as crystallised in the Agenda 2063, African countries need a varied energy portfolio composed of multiple technologies across different sectors. Although the most readily available solutions to energy poverty in Africa still involve the burning of fossil fuels, providing access through the cleanest possible mix is necessary but would require investment to more than double from today's 90 billion US dollars by 2030, at which point around two-thirds of spending would go to clean energy.[3] Multiple barriers hinder the development of bankable clean energy opportunities in Africa and deter private investments at the necessary scale. Borrowing costs across the continent have reached levels up to eight times higher than in the rich world[4] and debt servicing costs are now double the level of clean energy investment.[5] When poor countries are forced to default on their foreign debt (for example, Zambia),[6] spending on energy access and transition is anything but easy.

The role of multilateral institutions and the G7

Shifting away from the current dysfunctional and unjust financial system is however a goal the G7 can help to achieve. First and foremost, G7 countries should increase their financial support to energy projects in Africa favouring those focusing on clean energy, including decentralised solutions, such as mini and off-grids, rather than fossil fuel export-oriented projects. Second, the G7 could follow up on the Global Expert Review on Debt, Nature and Climate launched at COP28 opening to a range of new capital sources and financing approaches addressing both debt and climate risks. Creative uses for debt relief, for example, where a portion of a nation's foreign debt is forgiven in exchange

[3] In order for the continent to achieve by 2030, in full and on time, all of its energy and climate-related goals, including universal energy access and its Nationally Determined Contributions (NDCs), the International Energy Agency considers around 200 billion dollars annually should be mobilised. See more: International Energy Agency (IEA), *Financing Clean Energy in Africa*, November 2023, p. 17, https://www.iea.org/reports/financing-clean-energy-in-africa.

[4] United Nations, *Secretary-General's Remarks at the Paris Summit on a New Global Financing Pact*, 22 June 2023, https://www.un.org/sg/en/node/267059.

[5] IEA, *Financing Clean Energy in Africa*, cit., p. 17.

[6] "Default-stricken Zambia's Debts Creep Higher", in *Reuters*, 29 March 2023, https://www.reuters.com/world/africa/default-stricken-zambias-debts-creep-higher-2023-03-29.

for local investments in climate action, should be considered. Third, G7 nations can help mobilise more money globally, imagining new and efficient taxes on polluting activities and on extreme wealth to fill the finance gap. Fourth, the G7 can serve as a bridge for critical discussions to be brought at the wider multilateral level: from an adequate refinancing of the World Bank's International Development Association (IDA),[7] to ambitious guidance towards the new climate finance target after 2025 (the NCQG).[8] This latter goal is expected to be the critical outcome of COP29 as it will introduce a fresh financial objective surpassing the current annual target of 100 billion US dollars in climate finance. Lastly, the G7 should push for consistent frameworks for transition plans in both the real economy and financial institutions – ultimately bringing relevant support for stronger multilateral outcomes, even more important given the work of the G20 Task Force on a Global Mobilization against Climate Change set up by Brazil that is addressing these issues.[9]

This year's G7, under Italian Presidency, may provide a window of opportunity. Indeed, Prime Minister Giorgia Meloni herself kicked off the year with 'the Italy-Africa summit' and showcased the 'Mattei Plan for Africa' as the crown jewel of her foreign policy.[10] Moreover, a bonanza of climate milestones is on the horizon in the run-up to the 2025 COP30 in Brazil, with the opening of many diplomatic channels to make sure the world delivers. The recent WB-IMF spring meetings in Washington have revolved around a finance reform agenda fit for climate safety; the Petersburg Climate Dialogue a few weeks later outlined the COP29 agenda – dubbed the "Finance COP" given the strong relevance of climate finance amongst the priorities in Baku. In April, the G7 Climate, Energy and Environment Ministerial in Turin was the first climate multilateral event with a publicly negotiated output following the COP28: on that occasion, G7 officials set the first steps to achieve the UAE Consensus originated at the COP28 while emphasising the central position of Africa in the endeavour.[11]

However, the main outcomes from the Stresa Communiqué, adopted by G7 Finance ministers in late May,[12] show

[7] IDA lending operates on a three-year cycle and offers low interest rates loans to 75 developing nations around the world, half of them in Africa. See more in: World Bank website: *IDA Impact in Africa*, https://www.worldbank.org/en/region/afr/brief/ida-impact.

[8] The New Collective Quantified Goal on Climate Finance (NCQG) is a new global climate finance goal that the Conference of the Parties shall set from a floor of 100 billion US dollars per year, prior to 2025. See more in: UNFCCC website: *New Collective Quantified Goal on Climate Finance*, https://unfccc.int/NCQG.

[9] Beatrice Moro and Pietro Cesaro, "G7 Financial Ministerial: The Critical Role of Transition Plans and the Need for a Systemic Approach to Finance", in *ECCO Policy Briefings*, May 2024, p. 4, https://eccoclimate.org/?p=8344.

[10] Daniele Fattibene and Stefano Manservisi, "The Mattei Plan for Africa: A Turning Point for Italy's Development Cooperation Policy?", in *IAI Commentaries*, No. 24|10 (March 2023), https://www.iai.it/en/node/18219.

[11] G7, *Climate, Energy and Environment Ministers' Meeting Communiqué*, Turin, 29-30 April 2024, https://www.g7italy.it/wp-content/uploads/G7-Climate-Energy-Environment-Ministerial-Communique_Final.pdf.

[12] G7, *G7 Finance Ministers and Central Bank Governors' Communiqué*, Stresa, 23-25 May 2024, https://www.g7italy.it/wp-content/uploads/Stresa-Communique-25-May-2024.pdf.

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mixed results on the abovementioned priorities. Despite support for the replenishment of IDA (on which donors will make their official pledges in December), there are no signs that the 120 billion US dollars expected by Africa will be met. Even worse, the Communiqué does not even mention the NCQG. As for debt-related issues, G7 leaders are looking forward to the G20 improving the implementation of the Common Framework for debt treatments; however, G7 ministers did not provide guiding principles for a new approach, not even referencing to Special Drawing Rights (SDRs) that were one discussed tool to deliver much-needed financial resources to vulnerable countries back at the COP28.[13] Encouraging commitments were instead reached on the reform of multilateral development banks, on international taxation and on transition plans. The Communiqué specifically supports initiatives targeting sustainable development in Africa, such as the Resilient and Inclusive Supply-chain Enhancement (RISE)[14] and the Alliance for Green Infrastructure in Africa (AGIA), committing to contribute 150 million US dollars in grants, concessional and commercial capital and to mobilise 3 billion US dollars of private sector investment in green infrastructures.[15] It is however not clear how these initiatives will leverage on synergies through the Partnership for Global Infrastructure and Investments (PGII) on which G7 public development banks and development finance institutions are working.[16] Lastly, while the quick ending of fossil fuel subsidies that do not address energy poverty or just transitions was one of the most interesting commitments of the Turin Ministerial, no further indication was given in Stresa. G7 leaders should clearly define how to efficiently coordinate between different initiatives and agree on concrete commitments to increase finance for climate.

Rethinking partnerships

The G7 can also support renewed partnerships with African hydrocarbon exporting countries – that regained centrality in the aftermath of the energy crisis and Russia's war against Ukraine. In this sense, the Italian Presidency is keen to foster a stronger cooperative vision with the Mediterranean Basin. To complement this, however, Italy and G7 countries should promote new patterns for sustainable energy partnerships by addressing, for example, methane emissions of the energy sector in line with the Global Methane Pledge launched at COP26. Think of the

[13] African Development Bank, *COP28: International Support Grows for Channeling IMF Special Drawing Rights through Multilateral Development Banks*, 8 December 2023, https://www.afdb.org/en/node/66663.

[14] The purpose of this initiative is to strengthen global supply chain diversification of clean energy technologies (that has initiated country roadmaps on Malawi, Zambia, DRC and Burundi). See more in: World Bank, *Resilient and Inclusive Supply-Chain Enhancement (RISE)*, 21 May 2024, https://www.worldbank.org/en/programs/egps/brief/resilient-and-inclusive-supply-chain-enhancement.

[15] G7, *G7 Finance Ministers and Central Bank Governors' Communiqué*, cit., point 45-46.

[16] Cassa Depositi e Prestiti et al., *G7 Public Development Banks and Development Finance Institutions Statement of Intent. Leveraging the Role of G7 Development Finance in Addressing Global Challenges during the 2024 G7 Italian Presidency*, 9 May 2024, https://www.cdp.it/resources/cms/documents/2024_G7_Development_Finance_Statement_of_Intent.pdf.

capture of fugitive methane emissions along natural gas, LNG, and oil supply chains – recognised by the Turin Ministerial as a quick win in the race to net zero. Similarly, a common definition of Environmental Social Governance (ESG) and transparency criteria with non-G7 countries is a priority to align international emission measurement standards for low and zero-emissions supply chains – on hydrogen, for instance.

With effective cross-regional integration, North African countries could also establish economies of scale in the renewable energy sector and open new revenue streams.[17] Although North Africa leads the continent in new utility-scale wind and solar deployment,[18] renewables are a small share of the regional mix to date, which is still heavily dependent on fossil fuels. Almost all North African countries are looking to invest significantly in renewable energy in the coming years if adequate financing and competitively priced technology are available.

Given the great industrial and economic opportunities of the transition and the African socioeconomic needs, the continent's leaders are questioning what the global energy transition means for them in the medium to longer terms. On the bright side, the continent holds critical raw materials (CRMs) potential, which is fundamental for the development of clean technologies worldwide. Especially when it comes to the downstream aspects of the CRM value chain, however, the investment panorama is poor: relocating parts of the CRM value chains' processing and manufacturing to African countries presents a significant investment challenge, as there is a strong incentive to export raw materials to nations with established processing capabilities and lower governance and infrastructure risks.[19] Against this backdrop, this year's G7 should acknowledge the emerging assertiveness of several African countries in scaling green value chains and not positioning themselves as mere exporters of raw materials that would result in little local value addition. The G7 should provide a space for these conversations to happen and ensure adequate financial and technical support in the longer term for the development of green industries in the continent. This is important for G7 countries too: as they try to decarbonise, they are aiming for less dependence on those holding significant power in the clean-tech supply chains (read: China). Failure to reduce import dependencies along the entire value chain carries the risk of overreliance on single providers, wasting the dramatic lesson of the 2022 energy crisis.

[17] International Renewable Energy Agency (IRENA), *North Africa: Policies and Finance for Renewable Energy Deployment*, December 2023, https://www.irena.org/Publications/2023/Dec/North-Africa-policies-and-finance-for-renewable-energy.

[18] IRENA, *North Africa's Renewable Potential and Strategic Location Reinforce Its Role in Energy Transition*, 26 February 2024, https://www.irena.org/News/articles/2024/Feb/North-Africa-Renewable-Potential-and-Strategic-Location-Reinforce-Its-Role-in-Energy-Transition.

[19] Max Münchmeyer, *Strategic Security and Critical Raw Materials: The Role of the European Investment Bank*, Rome, IAI, July 2023, https://www.iai.it/en/node/17351.

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Bringing Africa's sustainable future to fruition is a formidable task, that won't happen overnight. Yet, today's multilateral decisions will determine the blueprint for Africa's energy systems for the coming decades. With a joint G7-Africa interest to collaborate and the clean energy transition irrevocably in motion, new sustainable pathways need to be shaped together more than ever, breaking the investment ceiling for clean technology deployment, and using a just energy transition approach to these shifts.

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