

CONVERSATIONS ON AFRICA COP27

The spotlight turns on Africa

With Egypt hosting COP27, the UN's latest annual climate conference, what are the challenges and opportunities for Africa in tackling climate change? Tim Scales, Head of the Africa Group and Co-Head of the Global Projects Practice, takes stock with the help of four fellow partners.

As Egypt prepares to host the COP27 climate conference in November, the spotlight is once again being thrown on the massive challenges Africa faces in tackling climate change and, also, the opportunities it may create.

Home to one-sixth of the world's population, Africa accounts for less than 6% of global energy consumption and only 2% of cumulative global emissions. Yet the impacts of climate change are already more profound on the continent than in many other parts of the world, with seven of the ten most vulnerable countries in Africa.

As the continent looks to bridge the huge gap between demand and supply in the energy and infrastructure sectors (which is only set to widen with continued population growth and accelerating urbanisation), the resources and technologies that African governments choose to deploy will have a major impact on efforts to tackle global climate change.

Policymakers in a number of African countries are having to strike a balance between utilising and/or monetising their abundant fossil fuel resources and responding to the mounting pressure to embrace renewable technology and decarbonisation. With European governments scrambling to find alternatives to Russian oil & gas, and in some instances resorting to coal-fired electricity generation, the energy challenges that African governments have faced for decades and the resource opportunities that Africa offers may be viewed from a different perspective.

Energy transition nonetheless remains a clear objective across the continent.

So far, countries accounting for 70% of global CO2 emissions have pledged to reach net-zero emissions by 2050. This includes 12 African countries that account for 40% of the continent's total emissions, while nearly all African countries are signatories to the 2015 Paris Climate Accord and its overriding goal to limit global warming to 2°C above pre-industrial levels, or preferably 1.5°C.

These targets are helping to set a new course for the global energy sector and, helped by a rapid decline in the renewable energy costs, we've been seeing a significant shift in investment towards clean energy solutions.

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There is enormous potential and opportunity across the whole range of renewable resources (notably hydropower, wind and solar) and increasing investor interest in hydrogen, both as a domestic energy resource and for export.

Renewable technology is being deployed increasingly both on a utility scale, feeding into national grids, and for private commercial and industrial (C&I) consumption. Smaller scale renewable generation is also being developed in more remote areas, with investment in “mini-grids”, avoiding the need for (and associated cost of) connecting to national transmission infrastructure.

Significant challenges remain. National utilities are typically under considerable financial pressure and lack the financial resource to develop new generation capacity or to offer creditworthy offtake solutions for independent power producers. The regulatory framework and political support for private sector investment in power generation and infrastructure also often needs enhancement.

In this respect, multilaterals and development finance institutions continue to perform a vital role in helping to unlock the potential. They are doing that through capacity building (helping to build up regulatory, technical and commercial understanding and encouraging sector reform) and through financial support, including direct lending to governments, public utilities and private investors and through offering partial risk guarantees and other credit enhancement structures to support public utility offtakers.

To find out more, I asked four A&O partners whose practices are focused on serving clients in Africa to give their perspective and see what Africa COP means to them. We will be publishing their thoughts in the run up to COP27.



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