

Green transformation in Africa-Europe relations

*Linking energy and adaptation with
economic transformation*

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This report is part of
a special series on
Africa-EU relations in the
run-up and follow-up
of the 2022 AU-EU
Summit.

By Elisabeth Hege,
Damien Barchiche and
Sébastien Treyer (IDDRI)

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The views expressed in this paper are those of the authors.

KEY MESSAGES

- Energy is key for Africa's economic diversification and industrialisation, and therefore also for AU-EU relations. This should be the focus of a shared narrative. Social innovations are crucial for the energy transition. They cannot be overlooked and underinvested in by the AU-EU collaboration.
- AU-EU cooperation can add value in managing transitions and building capacity for long-term strategies towards green economies. The question is less one of "gas or no gas" and more about context-related visions and timelines that can align Africa's need for industrialisation with the Paris Agreement.
- Building institutional capacities requires long-term finance in institutions, in which the EU could play an important role. The AU and EU should also start discussions on how climate neutrality strategies will impact trade and new value chains. As yet, fossil fuels continue to make up a large share of exports from Africa to Europe.
- Climate adaptation is not only a local issue, but also a macroeconomic concern. Joint efforts are needed that link economic transformation, employment and the vulnerability of communities and countries as a whole.
- Both Africa and Europe should push to achieve the Global Adaptation Goal and for ambitious outcomes from the work programme. Europe needs to act as an adaptation ally for Africa, supporting efforts that concretely address African adaptation needs.



RATIONALE

This report is the outcome of a partnership initiative launched in 2021 by the European Think Tanks Group (ETTG) and the Africa-based Institute for Security Studies (ISS), with the support of the United Nations Development Programme (UNDP). Our initiative seeks to advance Africa-Europe relations in the run up to the 6th EU-AU Summit in Brussels (17-18 February 2022) and contribute to effective follow-up and implementation of the decisions taken there. Between November 2021 and January 2022 we jointly organised three virtual closed-door roundtables with leading African and European knowledge centres and independent experts focused on three key pillars of the AU-EU partnership:

- (i) green transformation and climate change;**
- (ii) economic development and trade agenda; and**
- (iii) participatory and accountable governance, peace and security.**

These roundtables identified areas of convergence and divergence of views between the continents on key priorities of the partnership. The three virtual roundtables were instrumental in producing three concise reports containing policy recommendations for African and European decision makers and for all stakeholders interested in strengthening the partnership. Each of the three reports has been made available before the Summit. Following the event, these will be revised into a single final ETTG-ISS publication that will be out in March 2022.

The ETTG and ISS thank UNDP for supporting the partnership, as well as all of the over 70 experts who dedicated their time to take part in the virtual roundtables and shape the content of the three reports.

BACKGROUND

Energy, climate and green transformation are key priorities of the AU-EU partnership, alongside health, infrastructure, digitalisation, peace and security. Views in Africa and Europe diverge, however, on how best to address the energy and climate issue together,¹ and are likely to be contentious. This paper encourages both the AU and the EU to deliver concrete results on the energy transition and adaptation agendas.

In 2020 the EU presented its ambitious new Green Deal agenda, aiming to fundamentally transform the European economy to achieve zero net emissions of greenhouse gases by 2050. The EU is seeking to take its ambitions to the global level, too, as a “constructive, but also assertive partner” in climate diplomacy. In the run up to COP26 in Glasgow, the AU launched its own Green Recovery Action Plan (GRAP). With GRAP, the AU has an opportunity to set out its own green agenda, covering areas such as energy, sustainable agriculture, green cities and biodiversity. To this end, an early February meeting of the Committee of African Heads of State and Government on Climate Change called for preparation of a strong African position for COP27, and launched the African Climate Change and Resilient Development Strategy and Action Plan 2022-2032.²

As clearly spelled out in the 2020 Human Development Report,³ human activities endanger the planet, risking irreversible consequences and climate instability. Climate-induced disasters are forcing millions to flee their homes and exacerbating existing tensions and insecurity. This has led the AU's Peace and Security Council to label climate change as a major security threat.⁴ At the same time, Africa is not just a victim, but also a battleground for sustainable transition and investment in renewable energy.

Within this context, Europe-Africa relations are potentially at a turning point within a wider context of tensions between developed and developing countries. The failure of developed countries to keep their promise to mobilise US

\$100 billion in climate finance and the tensions that arose at COP26 are symptoms of a major lack of solidarity that has undermined trust. Despite having invested huge political capital in the Glasgow Pact, and announcing strong efforts towards decarbonisation, numerous African countries came out of this sequence with major concerns. There is a common belief among African leaders that their needs are still widely unmet. They are exposed to severe climate and environmental challenges, with inadequate capacities to invest and recover from the COVID-19 crisis.

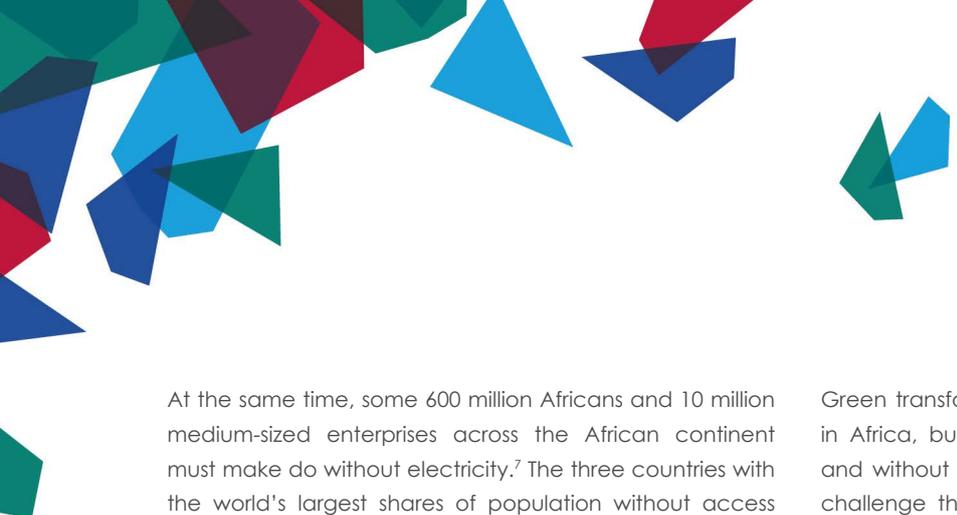
While there is convergence on long-term goals, the ways envisioned to reach these are fundamentally different in Europe and Africa. This report therefore proposes concrete avenues for cooperation on the climate agenda, taking into account African countries' needs and aspirations to achieve structural economic transformation leading to sustainability. In this respect, access to energy for development and climate adaptation are two key issues which urgently require a shared vision on the green transformation and climate change agenda in the Europe-Africa relationship.

THE QUEST FOR CONVERGENCE BETWEEN THE AU AND EU

A shared narrative around green energy for development

Climate and energy are priorities for both continents and great entry points for Europe-Africa cooperation, yet the narratives of each side differ. With the European Green Deal, the EU and its member states have a clear storyline on climate and energy. At the continental level in Africa, the narrative is more scattered. This is in part due to the very different energy situations of African countries. Some, such as Morocco, Mauritius and Namibia,⁵ are dependent on energy imports and highly convinced of the value of investments in renewable energy for their energy security. Other countries are net energy exporters. A number of countries, such as Mozambique, Kenya, Tanzania, Ghana, Uganda, Senegal and Côte d'Ivoire, recently locked into fossil fuel investments, though there is an increasing risk that these may be difficult to recoup and become stranded assets.⁶

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1. Africa-Europe Foundation High-Level Special Dialogue Energy and Climate in the Africa-Europe Partnership: Leading the way to the AU-EU Summit 20 January 2022, <https://bit.ly/3HIOimV>.
 2. <https://bit.ly/3LxbMOW>.
 3. <https://bit.ly/34Q4XGO>.
 4. <https://bit.ly/34CpTBe>.
 5. <https://bit.ly/3rMafft>.
 6. UNU-INRA, 2021: <https://bit.ly/3Bk6vFc>.



At the same time, some 600 million Africans and 10 million medium-sized enterprises across the African continent must make do without electricity.⁷ The three countries with the world's largest shares of population without access to electricity (access deficits) are in sub-Saharan Africa: Nigeria with 90 million unserved people, the Democratic Republic of Congo (DRC) with 70 million unserved people and Ethiopia with 58 million unserved people.⁸ The potential for renewable energy in sub-Saharan Africa is enormous. African leaders across the continent are growing more aware of their potential to leapfrog carbon dependency and become a grand demonstration space for new technologies and low-carbon industrialisation. Green economic diversification and industrialisation are what AU-EU relations should prioritise, focusing first on Africa's development needs. The African continent still relies on its natural resources and primary production as the main avenues for economic growth. It is still locked into production systems that add little value. Ensuring a structural economic transformation towards industrialisation and increasing the value added to products in African countries are essential to create more jobs for the continent's growing population. A dedicated focus on energy for industrialisation will change the technical, organisational and financial priorities in the partnership. Energy is key for Africa's economic diversification and industrialisation, and therefore also for AU-EU relations. This should be the focus of a shared narrative.



Energy is key for Africa's economic diversification and industrialisation, and therefore also for AU-EU relations.



Green transformations are gaining traction in the EU and in Africa, but quite unevenly across the two continents and without common greening strategies. A widespread challenge that a cross-continental strategy could focus on is clean cooking. This would support achievement of SDG 7 on affordable and clean energy and SDG 15 on biodiversity, as an estimated 3% of Africa's forests are cleared each year to meet current charcoal demand.⁹ If nothing changes, Africa's forests will be depleted within 30 years.¹⁰ Clean cooking would also impact SDG 3 on health and well-being, as charcoal and fuelwood cause severe indoor pollution that leads to respiratory disease. The problem could be exacerbated by the pandemic, as access to clean cooking fuels is sensitive to income changes. Confinement measures due to the pandemic have a dual effect: causing major losses in income while forcing families to spend more time indoors in kerosene, charcoal or fuelwood steeped environments.¹¹ Like many energy challenges in Africa, clean cooking will not be resolved with technological solutions alone but must build on social innovations. Social innovations cannot be overlooked and underinvested in by the AU-EU collaboration. They are crucial for the energy transition. This means investing in the governance of relevant actors in the energy system and including users in the design of transitions. For example, community members could be involved in designing billing systems adapted to local needs and culture. Attention also needs to be paid to community-level conflicts that could result from energy transition initiatives. For example, consideration should be given to the sustainability and viability of business models proffered for small and micro-hydros (hydroelectric power sized for a small community or small enterprises) and provision of socially acceptable alternative livelihoods for those likely to experience job loss as a result of green transition.

AU-EU cooperation can add value in managing transitions and building capacity for long-term strategies towards green economies. There are active debates about the need for gas as a transition fuel in some African countries, on the way towards diversified green economies. In this respect, the EU has been seen as applying a double standard in

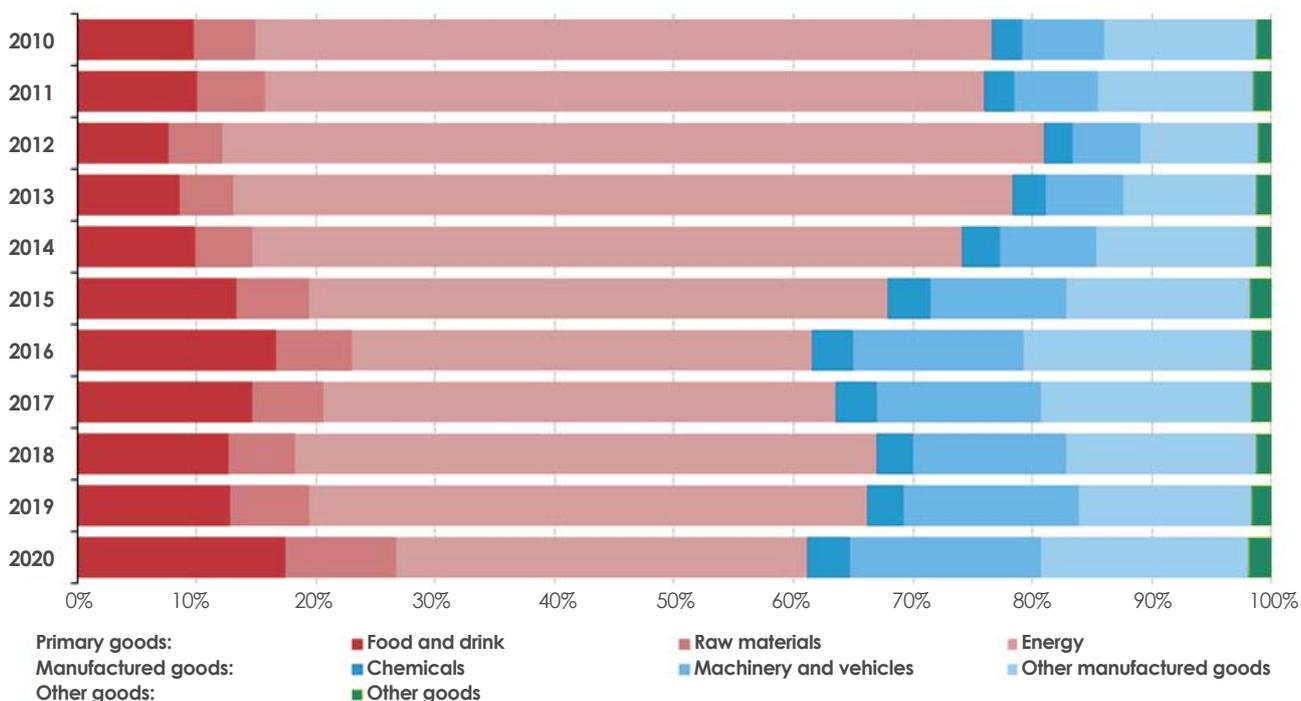
7. Ibid.
8. IRENA, 2021: <https://bit.ly/34ZNYM>.
9. IEA, 2019: <https://bit.ly/3BryOle>.
10. UNU-INRA, 2021 : <https://bit.ly/3oLnVpe>.
11. IRENA, 2021 : <https://bit.ly/3oNTVc9>.

investments in gas: it has continued these in some cases for its own purposes while ending developing countries' access to finance for gas infrastructures. Many African leaders are sceptical that renewable energies will be sufficient to drive the continent's industrialisation. At the same time, it seems strategic to establish governance structures to develop and implement long-term investment strategies for green development pathways that avoid lock-ins to fossil fuels. The question is less one of "gas or no gas" and more about context-related visions and timelines that can align Africa's need for industrialisation with the Paris Agreement. If Africa fails to make the shift to green innovations, it could end up in a worse position than it is now, as revenues from fossil fuel exports are expected to fall. If Africa can invest in green innovations and export green energy, it will be better placed in international markets, while also accelerating its own internal green transition. Building such institutional capacities requires long-term finance in institutions, in which the EU could play an important role. It is time for the AU and EU to start discussions on how climate neutrality strategies

will impact trade and new value chains. As yet, fossil fuels continue to make up a large share of exports from Africa to Europe (see figure). If both Europe and Africa pursue green economic transformations, this share is likely to decrease. But what could replace it? The EU's objective to achieve climate neutrality by 2050 will have massive implications for its industry and electricity needs. Some countries, like Germany, have started to invest in partnerships for production of green hydrogen in African countries. However, many technical and geopolitical questions remain concerning new value chains that could be developed between the two continents, around hydrogen or other technologies for a net zero economy. Most fundamentally, how can we ensure that these investments serve Africa and Europe in an equal manner, and that the share of added value and jobs in these new value chains is negotiated in a fair way? Green industrialisation and new supply chains should lead to diversified African economies, and not lock African countries into just another extractive model.

EU imports of goods from Africa by main product groups, 2020

(shares of total exports in value)



Source: EUROSTAT (2020). <https://bit.ly/3Lz58qG>



The success of Europe's green transformation, as defined in the Green Deal, depends on increasingly scarce but strategic raw materials. Many of these are found in Africa. Cobalt, for example, is among several raw materials that will be needed for Europe's electrification (others are lithium, nickel and copper). Supplies of these raw materials are highly concentrated. More than 60% of cobalt is produced in DRC, a fragile and conflict-prone country. If competition for these resources increases, pressure on conflict zones will too. Hence, investments in good governance in these areas need to be high on the agenda of AU-EU discussions. Green industrialisation will bring huge demand for Africa's minerals and rare earth metals, as these are used in e-vehicles and other renewable energy technologies, such as solar and wind. Yet, exports of raw minerals do not automatically contribute to Africa's green transition. Local communities in resource-rich and mining areas end up vulnerable to a host of social ills, including labour and sexual exploitation and abuse. Environmental degradation and biodiversity loss can ensue if operations are not well managed.

Each step in the process of change towards a green future for all has to adhere to international standards for labour, health, safety and human rights, particularly the rights of children, gender equality and women's empowerment, as well as social protection of vulnerable groups as stated in the Paris Agreement. It is crucial to discuss how the development of new supply chains linked to the energy transition in Europe can first serve the priority needs of local populations and industries in African countries.

Another example is the earlier-mentioned investment in green hydrogen from Africa. As hydrogen production is not very energy efficient, it is important that investments go first to energy access for the producing country, before energy is used to produce hydrogen for export. In addition, it is crucial to discuss whether there will be co-benefits from green hydrogen production investments in Africa, such as investments in desalination facilities (necessary for both hydrogen production and clean water access) and the relocation of early industrial processes to the countries concerned. Finally, the AU and the EU should cooperate on investments in African research and development, so that African countries can develop their own technologies and identify their own needs, adapted to their specific national contexts.



The AU and EU should also start discussions on how climate neutrality strategies will impact trade and new value chains. However, many technical and geopolitical questions remain concerning new value chains that could be developed, around hydrogen or other technologies of a net zero economy, between the two continents.



When it comes to trade, analysts differ on the so-called European Carbon Border Adjustment Mechanism (CBAM).¹² Some are critical of it, perceiving it as a way for the EU to take unilateral action to compensate for the deficit of international agreement on economic and trade reforms in line with the SDGs and the Paris Agreement. Others advocate the mechanism, seeing it not primarily as an instrument to defend the interests of European industries but as a lever to use the weight of the EU market to push the global economy towards alignment with global climate objectives. Some African voices have expressed concern that the CBAM could potentially lead to environmental protectionism.¹³ Which narrative prevails might largely depend on how the money collected at European borders is used. Europe could, for example, use it to support green transitions in the Global South, sending a strong multilateral message.

12. Jayant, Hege, Treyer, 2021: <https://bit.ly/3BgeCTL>.

13. IDDR conference, 2021: <https://bit.ly/33hvn3S>.

Jointly advancing the global adaptation agenda

Africa is already experiencing the widespread impacts of both extreme sudden-onset climate events and slow-onset changes influenced by human-induced climate change. Consequences include biodiversity loss, water shortages, reduced food production, loss of lives and diminished economic growth. Exposure and vulnerability to climate change in Africa are multidimensional, with socio-economic, political and environmental factors intersecting. It is important to point out that Africans are disproportionately employed in climate-exposed sectors. Some 55% to 62% of the sub-Saharan workforce is employed in agriculture, 95% of which is rainfed. In rural Africa, poor and female-headed households face greater livelihood risks from climate hazards. African cities have experienced huge growth of informal settlements without access to basic services. This increases large populations' vulnerability to climate hazards, especially women, children and the elderly.

Structural economic transformation and development can be part of the solution to reduce vulnerability. Diversification of economies can provide more and better jobs, and formalisation of informal economic sectors can lead to better access to insurance schemes for workers. However, if not planned and designed to be climate proof, structural economic transformation could reinforce vulnerability – for instance, if it leads to the spatial concentration of activities on the coasts exposed to sea level change. This highlights the fact that climate adaptation is not only a local issue, but also a macroeconomic concern. Joint efforts are needed that link economic transformation, employment and the vulnerability of communities and countries as a whole.

At COP26, the African Group of Negotiators (AGN) voiced the urgent need to advance the Global Goal on Adaptation. This is an important international political instrument to support vulnerable communities facing climate change impacts and to ensure that adaptation is factored into long-term strategies at all scales. Making the Global Adaptation Goal more concrete and measurable is one of the Paris Agreement's main challenges. Parties at COP26 recognised that more work needs to be done to make concrete progress. They kickstarted a two-year work programme, though there is still a risk that these efforts will remain poorly funded and at a “talking shop” stage,

disconnected from actual adaptation needs and actions in Africa. Both Africa and Europe should push to achieve the Global Adaptation Goal and set ambitious outcomes for the work programme. Europe needs to act as an adaptation ally for Africa, supporting efforts that concretely address African adaptation needs.

The lack of sufficient climate finance devoted to adaptation is a well-known problem and expected to be high on the agenda at COP27. Adaptation projects depend mainly on public funding, as they are not considered part of a productive economy. Africa is already spending more than its fair share of public budget on adaptation.¹⁴ Considering Africa's insignificant contribution to global emissions, a fair manner must be found to fund the adaptation costs that Africa contends with. Globally, the gap in adaptation funding is extraordinarily large compared to actual needs. According to OECD estimates, 21% of public climate finance goes to adaptation. Private finance is difficult to mobilise for adaptation, as investors tend to prefer focusing their climate efforts on the energy sector in middle-income countries.¹⁵ Though there is a huge need for more resources, even if they become available questions and challenges remain as to how to use them effectively. Joint efforts are needed to improve the absorptive capacity of African countries for adaptation finance.



It is important to ensure that investments in new low carbon technologies and value chains serve both Africa and Europe in an equal manner.



14. <https://bit.ly/3gGrs3G>.

15. UNDP, 2021 : <https://bit.ly/3BedsYa>.



As with energy issues, narratives and framing matter. More clarity is needed and more spaces should be provided for African communities to articulate their adaptation needs and solutions. Rather than one-off adaptation projects, we need to choose pathways of economic transformation that are resilient. This means having broader discussions, for instance, on food systems and resilient economic diversification. On a macroeconomic scale, it means enabling the diversification of economies through industrialisation and avoiding overdependence of regions or countries on specialised commodity exports or specialised tourism. The EU recently introduced its own adaptation strategy framed by the "just resilience" concept. This is an interesting new framing. It allows for anticipation that there will be winners and losers from adaptation action, and opens space for considering these losses before taking action.

Understanding the links between security, climate and adaptation action is important. Adaptation action has to be delivered in many complex, fragile and conflict-affected contexts in Africa. In 2030, two thirds of the world's extreme poor will live in fragile states. The last mile effort for adaptation and climate action has to include them – although implementing climate change adaptation in conflict-affected and fragile contexts is exposed to higher costs and volatility. Without the right prior analysis, technically promising climate initiatives might adversely affect local security due to unforeseen economic and redistributive effects. Conversely, initiatives can provide entry points for local peacebuilding and cohesion, in the context of environmental peacebuilding.¹⁶



Both Africa and Europe should push to achieve the Global Adaptation Goal and set ambitious outcomes for the work programme. Europe needs to act as an adaptation ally for Africa, supporting efforts that concretely address African adaptation needs.



16. UNDP, 2021 : <https://bit.ly/3uIHfas>.

17. United Nations Environment Programme (2021). Adaptation Gap Report 2021: *The gathering storm – Adapting to climate change in a post-pandemic world*. Nairobi, <https://bit.ly/3GPAeXH>.

FIVE CONCRETE AREAS FOR THE AU-EU PARTNERSHIP TO MOVE FORWARD

AREA 1

Framing and tone matter. The EU needs to listen to African needs in all their diversity. The AU and EU could converge around a narrative focused on energy for industrialisation and green economic diversification in Africa. Furthermore, the AU and EU should start discussions on how Europe's climate neutrality strategy will impact trade and the creation of new value chains, to ensure that these add value and jobs for both continents.

AREA 2

There is a need to demonstrate that green and resilient development pathways are actually top priorities for the EU and for the AU, both on their own agendas and in their partnership. While timelines and sequences of action might differ from country to country, the AU and EU should jointly invest in building capacity to enable countries to produce visions, strategies and plans to avoid being locked into unsustainable development choices. Consistency should be aimed for, between short-term needs and long-term sustainability, both on the social well-being and jobs side of the equation and on the environmental pressures and risks side. The focus needs to lie on managing transitions. The Just Energy Transition Partnership with South Africa provides an interesting example of a step in this direction, provided that implementation is actually occurring, that blocking factors are openly discussed and that objectives on social and environmental performance are attained.

AREA 3

For fossil-fuel dependent countries, a specific focus is needed on what their economic transformation pathway might look like: economic diversification away from oil and gas or coal is extremely important. But what sequence of actions towards other sectors can offer enough jobs and revenue during the phasing down of fossil-related assets? What would be the right sequence of investments for countries that are rich in natural gas resources, but risk investing in infrastructures that may become stranded assets in the future? Although hydrogen might emerge as a substitute for natural gas, how do we see the shared development of a hydrogen industrial supply chain between the two continents? Conflict-affected and fragile countries and regions in particular need specific strategies to align pandemic recovery investment with resilience and low-carbon economic transformation.

AREA 4

On adaptation, this vision and sequence might first necessitate a full assessment of the current costs of climate impacts, though this may not be something that all African countries can measure or compute at present. In this sense, the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the African Development Bank Group (AfDB) could lead the way in helping to quantify those costs and risks, as part of an effort to jointly push progress on a more concrete Global Adaptation Goal. The 2022 Finance in Common Summit, to be held in October in Côte d'Ivoire and organised jointly by AfDB and EIB, will be an opportunity for Europe and Africa to enhance their collaboration to address climate change adaptation in Africa.

AREA 5

The Europe-Africa partnership could increase investment to improve climate adaptive capacity in Africa, in particular with the support of the AfDB and EIB. As raised by the United Nations Environment Programme's 2021 adaptation gap report,¹⁷ an ambitious and well-targeted package of support, with adaptation priorities, could build country-level adaptation capacity in Africa in a variety of ways, such as by freeing up fiscal space for economically vulnerable countries, helping to drive the recovery from the COVID-19 pandemic and ensuring that planned fiscal intervention promotes well-defined adaptation objectives.



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