



# Leveraging Green Industrialisation for a Just Transition: Africa-Europe Cooperation

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## KEY MESSAGES

**Bridging Priorities for a Just Green Transition:** Africa and Europe must align their distinct priorities – Africa's inclusive economic transformation through green industrialisation and Europe's strategic autonomy in securing green energy and critical raw materials. Collaborative efforts are essential to achieving a balanced, mutually beneficial and equitable green transition on both continents, each on its own terms.

**Addressing Climate (In)justice:** The disparities in financial access, technological advances, disproportionate climate impact, and power in value chains between Africa and Europe highlight the need for a fair and just transition. Ensuring equitable access to finance, technologies and fair trade practices is crucial for shared progress.

**Moving Beyond Extractive Relationships:** Transforming Africa-Europe relations from extractive models to genuine equal partnerships is vital for Africa's socioeconomic prosperity and is also economically, politically and strategically vital for Europe. Sustainable industrial ecosystems that add local value and transform Africa's pathways toward green industrialisation and foster long-term collaboration will ensure mutual benefits.

**Building Shared Technology and Innovation Ecosystems:** Equitable green industrialisation requires significant investment in technology and innovation, emphasising local research capacities, context-specific solutions and long-term capacity building in Africa.

**Innovative Financing for Sustainable Industrialisation:** New financial instruments and collaborative investment strategies are necessary to bridge the financing gap for green industrialisation in Africa. Investment rules should be rethought to ensure a fair distribution of benefits and risks.



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## INTRODUCTION

Green energy and industrialisation are key issues shaping Africa-Europe relations, but not without tensions. Africa's ambition is to leapfrog its structural economic transformation from low to high productive activities through green industrialisation, as Europe seeks to strengthen its industrial base in key green technologies and address its overdependence on China. Geoeconomic competition over energy, resources and the production of key technologies can open new opportunities for Africa to strategically shape its development pathways, yet it also entails new risks.

Different narratives about energy green transitions exist in African and European contexts. At the 2022 EU-AU Summit, the financing of gas was a divisive issue. The different positions on the financing of gas by Western powers has also been a contested issue in the context of the negotiations of a Just Energy Transition Partnership between Senegal, France and Germany and other donors. Senegal and Nigeria are among the most vocal countries to advocate for some transitional use of gas in the process of industrialisation, with the perspective to eventually bring the infrastructure for a clean energy revolution, and not get locked-in in fossil gas dependency. Other African countries, like Kenya, argue against continued development of fossil fuel infrastructures, pointing to the risk of stranded assets and even more dire climate impacts. The energy crisis following the war in Ukraine has exacerbated some of these tensions. EU crisis measures to rapidly decouple from Russian gas have included increased demand for fossil fuels from existing African suppliers, which many have seen as Europe applying a double standard.

From green energy transition, the conversation has now shifted to green industrialisation and economic competitiveness. Europe's energy but also critical raw materials needs call for a different partnership with African countries, less centred on pure security of supply, and with a larger view to mutual socioeconomic benefits on both sides. Green industries are seen as an opportunity for African economies to kickstart industrialisation and

reposition themselves in global value chains. The argument is that a mutually beneficial green industrialisation, linking European decarbonisation with investments in African energy, mineral processing and manufacturing, can rebalance EU-Africa relations that historically have been seen as skewed to Europe's advantage. While this (partially) filters through in discourse on both sides, there are many structural challenges and barriers that need to be overcome to make this a reality.


Working towards a shared vision of green growth and development across Europe and Africa means that we must better understand the tradeoffs and tensions underpinning green industrial policies and initiatives and build a shared agenda to maximise mutual benefits.

On May 28, ETTG and ACTS alongside hosted an event in Nairobi as part of a three-year project with the Open Society Foundations titled "*Assessing the Implications of the Polycrises for Africa-Europe Relations*". The event, "How can European and African countries work together to leverage opportunities for green industrialisation and fulfil the ambitions of a 'Just Transition' across Africa and Europe?", brought together nearly 30 participants, including experts and policymakers, to discuss this timely and critical topic. Based on these discussions, this policy brief explores the critical challenges and opportunities noted in redefining Africa-Europe relations in the context of green industrialisation and a just transition. As both continents navigate their respective paths toward sustainable development, their divergent priorities – Africa's focus on inclusive economic transformation and Europe's emphasis on strategic autonomy – must be reconciled to foster mutually beneficial partnerships.



Africa and Europe must align their distinct priorities—Africa's inclusive economic transformation through green industrialization and Europe's strategic autonomy in securing green energy and critical raw materials.





Based on these discussions we propose **nine priorities** for a research and action agenda for experts and policymakers on the pressing issue of green energy and industrialisation.

## 1. ACKNOWLEDGING AND BRIDGING DIVERGING PRIORITIES

The discourse around Africa-Europe relations reflects differing priorities and starting points. Africa aims to achieve inclusive economic transformation through green industrialisation, focusing on leapfrogging to higher productivity activities, enhancing its global trade position, and tapping into the opportunities presented by its abundant renewable energy potential. In contrast, Europe emphasises its own green (re-)industrialisation and economic competitiveness, faced with a subsidy race with the US and China on key technologies. As Europe looks to enhance its position in green technology value chains it is also looking to secure access to green energy and critical raw materials (CRMs), while derisking its dependence on China. These divergent priorities often lead to tensions, exemplified by disagreements over the financing of gas during the 2022 EU-AU Summit. Research should delve into these differences to understand the historical legacies, governance challenges and financial constraints each continent faces.

Green industrialisation pathways need to be country owned and country led, in coordination with broader regional or continental ambitions. Defining the industrialisation pathway of an African country as a response to the needs and ambitions of Europe or the rest of the world's green transition is perpetuating historical power imbalances. A national industrialisation pathway needs to be defined not only with respect to the opportunity of a market in Europe (e.g., for green hydrogen or critical raw materials), as it should take into account not only the country's natural resources, but also other forms of

comparative or competitive advantage: for instance, existing infrastructures for low-cost green energy, specific skills in the active population, and existing industrial clusters at the national or regional scale. It should also include perspectives for the development of the internal regional or national market, and not only export markets.

Some researchers stress the importance of, the role of agrifood and biomass processing as the trigger of industrialisation is important, with spillover effects on the rest of the economy (see the work by Peter Timmer and Anderson, early 2010s). However, the factors that have impeded agro-based industrialisation in Africa, including imbalances such as subsidies and tariff and nontariff barriers in Europe, need attention in consideration of the opportunities presented by green industrialisation and the comparative advantages that many African countries possess.



## 2. ADDRESSING NEW FRONTIERS OF CLIMATE (IN)JUSTICE

Climate change has exacerbated issues of justice, particularly in the context of financial disparities and access to resources, technologies and related capabilities to enhance resilience through green transition. African countries face high costs of borrowing and limited access to finance and markets, with technology gaps raising questions about who bears the costs of green transitions. The introduction of mechanisms like the Carbon Border Adjustment Mechanism (CBAM) highlights these disparities, as it impacts trade markets and access to energy. The challenge of climate change, from a just transition lens, calls for closing the gaps that continue to disadvantage Africa and moving toward a global system of fairness. Green industrialisation policies, if viewed with a justice lens in the context of Africa Europe partnership, provide the opportunity



Green industrialization policies, if taken with a justice-lens, in context of Africa Europe partnership provides the opportunity for accelerating the repositioning of African countries from the periphery to the center of global trade and economy. But this will necessitate thorough redesign of many areas of policy and in transcontinental value chains.



for accelerating the repositioning of African countries from the periphery to the centre of global trade and economy. But this will necessitate thorough redesign of many areas of policy as well as transcontinental value chains.

Beyond trade policies, there is also a pressing need to address the unequal distribution of industrial jobs and decision-making power in transcontinental supply chains. As green industrialisation efforts progress, ensuring that African countries are not relegated to mere providers of raw materials is crucial. This creates a new frontier of climate injustice, where African countries, despite contributing minimally to global emissions, face significant economic and developmental burdens. Addressing these issues requires a focus on fair access to finance, equitable trade practices and inclusive policies that ensure all nations can benefit from the green transition.

### 3. POSITIONING FOR REAL STRATEGIC PARTNERSHIPS, NOT EXTRACTIVE RELATIONSHIPS

The partnership between Africa and Europe must evolve from extractive models to genuine collaborations that add value locally and build real industrial ecosystems across continental borders. While initiatives like the

Just Energy Transition Partnership have been criticised for not fostering real partnerships, there is potential for long-term cooperation. Ensuring value addition in CRM extraction and processing, and promoting sustainable resource management is crucial. This requires European economic operators and financial players to engage in ways that support African industrialisation and the sustainable development goals.

To create real value, investments should focus on building local capacities and ensuring that African countries can capture a fair share of the benefits (the value, the decent jobs as well as the power in value chains) from green industrialisation. This includes addressing issues related to technology transfer, the development of complete knowledge and innovation ecosystems and innovative industrial clusters in African countries, capacity building, and ensuring that industrial initiatives are designed to benefit local economies and communities.

For Europe, such a change in the perspective of the partnership relies not only on a moral argument of solidarity or responsibility, it is also an economic, political and strategic argument. In a complex and tense geopolitical context, Europe is tempted by a more transactional approach to partnership, which does not mean only serving short-term self interest: for Europe to invest in these shared and balanced industrial partnerships, at the scale of industrial ecosystems and not just one supply chain, is in Europe's interest because it builds future markets, stable long-term supplying relationships rather than shortsighted security of supply, and potential structural, long-term, even if not exclusive, political alliances.



Transforming Africa-Europe relations from extractive models to genuine equal partnerships is vital for Africa's socioeconomic prosperity and also economically, politically and strategically vital for Europe.





#### 4. COMMIT TO A GENUINE SHARED TECHNOLOGY AND INNOVATION ECOSYSTEM

Achieving equitable green industrialisation demands significant investment in technology and innovation. The way Nationally Determined Contributions have been developed highlights the need for real long-term research and capacity building in Africa. Deconstructing existing cultural and institutional barriers is essential to fostering equity and enhancing research capacities. Furthermore, the absorption capacity for new technologies in Africa must be addressed, ensuring that innovation transfer leads to sustainable development and industrial growth. This involves building robust research capacities within Africa and ensuring that local contexts and needs are prioritised in technological development and innovation. Building real knowledge and innovation systems in African countries goes beyond the issue of technology transfer, and is about ensuring the development of research institutions and industrial innovation clusters as well as the deployment of technologies.



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Both regions might face the issue of technology dependence on China. The cost of green technology will probably continue to reduce, due to the size of large markets like China or the USA and to the policy support in these large economic powers. Both African and European countries might find their specific roles as innovators not so much in the technology itself, but in its deployment: organisational and financial innovation for services, for instance.



#### 5. RETHINK INTERNATIONAL AND DOMESTIC FINANCE FOR INDUSTRIALISATION

Building a comprehensive research agenda on finance is essential to support green industrialisation. African private investors could play a critical role, but there is a need for better access to finance and more innovative financial instruments to support sustainable development. Attracting national and regional private and institutional investors is crucial, as they bring local knowledge, expertise and a vested interest in the region's economic success. To encourage their participation, it is essential to create favourable investment conditions, such as offering incentives for green manufacturing projects, reducing bureaucratic barriers and ensuring a stable regulatory environment.

Investments should be directed towards creating financial environments that support long-term industrialisation goals, including the development of green infrastructure and technologies. Collaboration between international and local financial institutions can help bridge the financing gap and ensure sustainable and inclusive economic growth.

Investment rules in Europe and in African countries might need to be rediscussed. With the investment rules comes often the power in supply chains.

We need to avoid derisking with public money a European investment if in the end it leads only to giving these economic players a bigger share in the value chain. How can investment regulations and derisking avoid such a mechanism?

To make the benefit:risk ratio more attractive for investors, it is important to design renewable energy investments jointly with manufacturing investments – with energy offtake by local industrial energy demand making the energy investment more credible, and the existence of green energy production making the manufacturing investment more credible.

## 6. CREATE THE POLITICAL AND POLICY AND GOVERNANCE CONDITIONS FOR GREEN ECONOMIC TRANSFORMATION

In ensuring a business environment and an investment climate, the doctrine has changed from pure deregulation to ensuring stable and consistent policies, giving a direction and a long-term horizon for transformation. Effective governance and regulatory reforms are vital for the successful implementation of green industrialisation policies. Prioritising policy coherence and institutional strength is essential, including the need for strong political leadership and vision. Additionally, rebalancing power in supply chains is crucial, as it not only addresses governance issues but also ensures a more equitable distribution of benefits across all stakeholders. This requires decisive political leadership at both the national and regional levels to guide and implement the necessary reforms.

Non-fiscal aspects, such as regulatory frameworks, institutional environments and governance structures, are crucial for a sustainable and inclusive green industrialisation pathway. Ensuring that these elements are aligned with industrial and sustainable development goals will help create a conducive environment for sustainable development.

## 7. LEVERAGE REGIONAL INTEGRATION FOR INDUSTRIALISATION AND NEGOTIATING POWER

Regional markets might be more important as a trigger of industrialisation than export. A united front is necessary for African countries to negotiate more effectively on the global stage. Regional integration can enhance bargaining power and ensure more cohesive and strategic partnerships with Europe on green industrialisation and trade.

Strengthening regional cooperation can also facilitate the sharing of best practices, resources and technologies, further supporting sustainable development and industrialisation across the continent.

## 8. BUILD THE INFRASTRUCTURE FOUNDATION FOR GREEN GROWTH

Adequate infrastructure is the foundation for market development, innovation and green industrialisation. Investments in infrastructure, paying attention to decentralisation, should focus on supporting both traditional and green industrial sectors, ensuring that they are designed to meet current and future needs. This includes developing clean energy sources, enhancing logistics and transport networks, and promoting sustainable agro-food industries.

Developing infrastructure that supports green energy, efficient transportation and modern industrial facilities will create a robust basis for sustainable economic growth and development.

## 9. BROADENING THE SCOPE OF SKILLS AND EDUCATION: BEYOND TECH AND POLICY COHERENCE

Achieving a successful green industrialisation and just transition requires a comprehensive approach to skills development and education. This goes beyond simply aligning with technological advancements or policy coherence. It involves investing in a wide array of capabilities, from technical skills to institutional knowledge, entrepreneurial capacities and cultural adaptation. In

many cases, the skills required for sustainable development include innovation in local contexts, enhancing human capital and fostering industries that balance economic growth with environmental stewardship.

Africa's green transition is not solely about acquiring new technologies but also about cultivating the expertise to manage, innovate and sustain these technologies in contextually relevant ways. Likewise, Europe's involvement in Africa's green industrialisation must include support for diverse educational and vocational training systems that reflect the needs of both formal and informal sectors. Therefore, education must be seen as multidimensional, touching on governance, social inclusion and ecological knowledge, and not be reduced to narrow, technical frameworks.

## CONCLUSION

Building a shared agenda on green industrialisation for Africa and Europe requires **ADDRESSING THE UNIQUE CHALLENGES AND OPPORTUNITIES** faced by each continent.

**BY PRIORITISING INCLUSIVE AND EQUITABLE POLICIES, FOSTERING REAL PARTNERSHIPS AND INVESTING IN TECHNOLOGY, FINANCE AND INFRASTRUCTURE**, both regions can achieve sustainable development goals. This becomes even more urgent, as European and African countries are subject to external pressures, a global subsidy race and growing trade tensions between major industrialised economies, all of which can threaten the success of a shared and mutually beneficial green transition.

**COLLABORATION AND MUTUAL UNDERSTANDING ARE KEY** to ensuring that green industrialisation benefits all stakeholders and contributes to a just and prosperous future. This requires a **SHARED VISION, MUTUAL RESPECT AND A COMMITMENT TO LONG-TERM COLLABORATION**, ensuring that the benefits of green industrialisation are realised by all stakeholders involved.



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