



# Navigating Africa's Transition to a Cleaner Energy Future

COP28 left an indelible mark on the global push to decarbonise, resulting in a resolute commitment to “transition away from fossil fuels in energy systems” in the so-called “UAE Consensus.”

DLA Piper attended the annual climate conference and it is clear that the global shift toward sustainability and away from fossil fuels is gaining momentum. Governments, investors, and consumers globally are indicating intentions for an accelerated departure from fossil fuels. While they may remain pivotal to the global economy and global energy supply for decades to come, the ways in which – and, indeed, the extent to which – they are used will undergo significant transformation.

So, what implications does this hold for Africa?

**Over half of the continent’s oil and gas-producing nations heavily depend on oil and gas exports, contributing over 50% to their total export revenues.**

(In countries like Nigeria, this figure surpasses 85% of the government's total export revenues.)

In this paper, we examine the unfolding dynamics of the “transition away from fossil fuels in energy systems” within the African context, exploring the challenges and opportunities that will shape the trajectory of the continent’s journey towards a clean energy future.



## Africa's Energy Mix

It's no secret that Africa is blessed with abundant natural resources, including both renewable and non-renewable energy sources, along with critical minerals vital for technological progress. The continent's reservoir of proven oil reserves (about 125 billion barrels) is approximately 7.2% of the global total, underlining Africa's pivotal role in shaping the energy landscape.

Complementing this, Africa boasts about 620 trillion cubic feet of proven natural gas reserves (about 7.5% of the world's reserves), a valuable transition fuel as the continent charts a greener future.

**The continent has significant potential in the renewable energy space, estimated to house 60% of the world's premier solar, hydro, wind, and geothermal energy sources, with the International Energy Agency estimating that it can produce 5000 megatons of hydrogen annually – roughly equivalent to the current total global energy supply annually.**

Moreover, the continent is endowed with substantial deposits of raw minerals crucial for emerging energy technologies, including those employed in electric vehicles, stationary energy storage, and green hydrogen (GH2) production. The Democratic Republic of the Congo stands out as a primary contributor, accounting for a remarkable 70% share of the world's cobalt production, while South Africa supplies about 60% of the global manganese demand.

And yet, despite the abundance of diverse natural resources in Africa, a substantial challenge persists. Approximately 600 million Africans, constituting around 53% of the continent's population, lack access to electricity. Countries that do aspire to develop renewable energy capacity to improve energy access face the harsh reality that Africa receives just 2% of global clean energy spending, despite comprising approximately 20% of the global population.

**The stark contrast in energy access and investment underscores the urgent need for robust commitments.**

Without addressing these challenges, both African countries and their citizens will continue to face hardships. Consequently, the decisions made regarding energy access and an energy transition via which the continent can decrease energy access and pivot to cleaner energy sources is of paramount importance for the continent's socio-economic development and the well-being of its people.

## Navigating the Transition

The agreement to “transition away from fossil fuels in energy systems” reached at COP28 last year was a hard-won issue, albeit very complex – especially for Africa due to the heavy reliance of the continent’s top ten oil-producing nations on the commodity, making the economic implications of such a transition a central concern.

For Africa, navigating the transition is further complicated by a stark reality mentioned above: despite constituting approximately 20% of the global population, the continent only receives a mere 2% of the total global expenditure on clean energy initiatives.

**This paltry investment level significantly hampers Africa’s ability to align with the UN’s seventh Sustainable Development Goal, specifically targeting universal access to clean and affordable energy.**

Despite presently contributing less than 3% to global energy-related emissions, Africa faces the pressing need to swiftly enhance energy accessibility. This necessitates an urgent and substantial surge in renewable investments, which, unfortunately, are not being made to the extent required.

Indeed, for Africa, charting the path toward a future characterized by energy accessibility, affordability, and sustainability remains ambiguous. Any prospective energy strategy must be founded on the principles of ensuring universal access to energy for a burgeoning population, accommodating heightened economic activity, and anticipating future demands.



## Lessons for the Road Ahead

All of these themes were explored at a recent DLA Piper event, in partnership with Invest Africa. The speakers included Africa GreenCo Co-Founder and Chief Investment Officer Pug Bennet, MUFG Climate Finance Director Ariane Pevide, Shell VP Corporate Relations, Europe & Sub-Saharan Africa Rob Sherwin, Private Infrastructure Development Group Chief of Staff and Head of Communications Cecilie Sørhus, and DLA Piper Partner and Head of the Hydrogen Group Iain Elder. They identified several key themes that must be addressed to transform the continent's energy landscape in a just and sustainable way. These included, but were not limited to:

- *Finance Africa's Transition:* Panellists emphasised that financial support from the developed world will be crucial. This was of course a big agenda item at COP28, with more than USD85 billion committed to climate financing at the Summit, including USD700 million pledged for the Loss and Damage Fund, which provides financial assistance to vulnerable countries grappling with significant economic losses due to the climate crisis. Despite the seemingly substantial figures, numerous officials contend that these commitments fall short of the requisite funding to address the pressing needs.
- *De-Risking Africa's Renewables Sector:* Speakers emphasised that renewables projects will need to be de-risked and deemed "bankable." On the panel, Cecilie addressed the perceived risks associated with renewable energy projects in Africa, with concerns stemming from inadequate infrastructure to bureaucratic hurdles to economic instability deterring private investors. Ariane highlighted the numerous bankability issues affecting the continent's pipeline of renewable energy projects – exacerbated by varying interpretations of what is and should be considered "bankable."

- *Public-Private Partnerships:* Speakers agreed these will be central to the advancement of Africa's energy transition, but need to be shielded from political interference and corruption issues that often afflict them. International financial assistance should be provided securely and put to productive use. Projects should be selected carefully to avoid problems arising from wider ESG concerns about their local environmental and community impacts.

Africa is at a pivotal juncture in its energy transition, where the trifecta challenges of energy access, security, and climate change present both urgency and a unique opportunity to redefine the continent's energy future. A shift to renewables and cleaner energy systems offers a lifeline, and the many clean energy opportunities on the continent have the potential to yield reciprocal benefits for African countries and investors alike.

**While sustained interest in oil and gas production persists, driven by African countries need to address the escalating energy demand on the continent and desire to fortify their baseload capacity, investors in the renewables sector have much to look forward to.**

The onus, however, now lies on African governments and developed countries to actively foster and champion their success, propelling the continent towards a cleaner energy future.

*“Africa has a very important role to play in terms of harnessing its abundant natural resources to generate renewable power to meet the rapid and continual growth in energy demand across the region as well as exporting green molecules to help meet global targets for carbon emission reduction.”*

— Iain Elder, Partner



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Our unrivalled Africa offering is the result of over 20 years of commitment and experience on the continent, combined with long-standing relationships with leading national firms, many dating back to the 1990s. These relationships have been brought together under DLA Piper Africa, a Swiss verein comprising independent law firms in Africa working with global law firm DLA Piper.

We have a dedicated global Energy and Natural Resources sector team that houses our renewable and conventional energy know-how. Our lawyers are among the world's most experienced and geographically widespread, offering critical practice skill, industry-specific knowledge and "boots on the ground" coverage in Africa and beyond.

Working seamlessly with our DLA Piper Africa teams on the ground across 20 African countries, in addition to relationship firms where DLA Piper Africa does not have a presence, our dedicated team focuses on domestic and cross-border Africa projects and transactions, bringing emerging markets experience to the table and a deep understanding of the continent.

We work for lenders, financial institutions, multilateral institutions, sponsors, equity investors, contractors, governments and parastatals to develop, finance, construct and operate a diverse range of capital-intensive projects and facilities.

With a market-leading reputation for delivering complex power projects and related multi-source financing in emerging markets, our experience covers power plants fueled by natural gas, petroleum, renewables, hydro, waste/biomass and geothermal resources, alongside transmission networks and distribution systems.



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